

Centuria Capital Group Financial Report for the year ended 30 June 2020

Centuria Capital Group comprises of Centuria Capital Limited ABN 22 095 454 336 (the 'Company') and its subsidiaries and Centuria Capital Fund ARSN 613 856 358 ('CCF') and its subsidiaries. The Responsible Entity of CCF is Centuria Funds Management Limited ACN 607 153 588, AFSL 479 873, a wholly owned subsidiary of the Company.

Centuria Capital Group
Financial Report - 30 June 2020

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These consolidated financial statements are the financial statements of the consolidated entity consisting of Centuria Capital Limited and its subsidiaries. A list of all subsidiaries is included in note E3. The consolidated financial statements are presented in Australian currency.

Centuria Capital Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

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

The consolidated financial statements were authorised for issue by the Directors on 12 August 2020.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholder Centre on our website: www.centuria.com.au

Directors' report

The directors of Centuria Capital Limited (the 'Company') present their report together with the consolidated financial statements of the Company and its controlled entities (the 'Group') for the financial year ended 30 June 2020 and the auditor's report thereon.

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

Directors and directors' interests

Mr Garry S. Charny, BA. LL.B. <i>Independent Non-Executive Director and Chairman</i>		
Experience and expertise	<p>Garry was appointed to the Board on 23 February 2016 and appointed Chairman of Centuria Capital Group on 30 March 2016. Garry is also Chairman of Centuria Life Limited and Over Fifty Guardian Friendly Society Limited.</p> <p>He is Managing Director and founding principal of Wolseley Corporate, an Australian based corporate advisory and investment house which transacts both domestically and internationally.</p> <p>He has significant, board-level experience in listed and unlisted companies across a diverse range of sectors including property, retail, technology and media. He formerly practised as a barrister in the fields of commercial and equity.</p>	
Other directorships	Garry is Chairman of Wolseley Corporate. He is also Chairman of Spotted Turquoise Films, an international Film and Television company based in Sydney and Los Angeles. He is Chairman of Shero Investments, a Sydney based investment company.	
Special responsibilities	<p>Chairman of the Board</p> <p>Chairman of the Conflicts Committee</p> <p>Chairman of the Nomination and Remuneration Committee</p> <p>Member of the Audit, Risk Management and Compliance Committee</p>	
Interests in CNI	Ordinary stapled securities	369,676

Mr Peter J. Done, B.Comm, FCA. <i>Independent Non-Executive Director</i>		
Experience and expertise	<p>Peter was appointed to the Board on 28 November 2007. Peter was a Partner at KPMG for 27 years until his retirement in June 2006.</p> <p>He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.</p>	
Other directorships	None	
Special responsibilities	<p>Chairman of the Audit, Risk Management and Compliance Committee</p> <p>Member of the Nomination and Remuneration Committee</p>	
Interests in CNI	Ordinary stapled securities	1,328,982

Directors and directors' interests (continued)

Mr John R. Slater , Dip.FS (FP), F Fin. <i>Independent Non-Executive Director</i>		
Experience and expertise	<p>John was appointed to the Board on 22 May 2013 having previously been an adviser to the Centuria Life Friendly Society Investment Committees from 2011. He brings a wealth of financial service experience to the Board.</p> <p>Between 1989 and 1999, John was a senior executive in KPMG Financial Services and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital.</p> <p>In 2008, John founded boutique Financial Advisory firm Riviera Capital, which he sold in 2016.</p>	
Other directorships	None	
Special responsibilities	<p>Member of the Audit, Risk Management and Compliance Committee</p> <p>Member of the Nomination and Remuneration Committee</p>	
Interests in CNI	Ordinary stapled securities	3,038,570

Ms Susan Wheeldon , MBA. <i>Independent Non-Executive Director</i>		
Experience and expertise	<p>Susan was appointed to the Board on 31 August 2016.</p> <p>Susan is Country Manager for Australia and New Zealand at Airbnb. Previously, she served in a number of roles, including Head of Government & Performance and Head of Agency at Google, working with major national and global companies to develop and deliver growth strategies that future-proof and build clients' businesses and brands in a constantly changing environment.</p> <p>She has previous experience in retail property asset management at AMP Capital Shopping Centres, as Head of Brand & Retail, responsible for delivering alternative revenue from 38 retail assets across Australia and New Zealand with combined annual sales in excess of \$5 billion.</p>	
Other directorships	Director of Nimble Australia	
Special responsibilities	Member of the Conflicts Committee	
Interests in CNI	Ordinary stapled securities	nil

Directors and directors' interests (continued)

Mr Nicholas R. Collishaw , SAFin, FAAP, FRICS, <i>Non-Executive Director</i>		
Experience and expertise	<p>Nicholas has been a Non-Executive Director of Centuria Capital Group since October 2017. Previously he was Centuria Capital's CEO of Listed Property Funds, joining in May 2013. Nicholas brings to the Boards more than 30 years experience across domestic and international real estate and investment markets.</p> <p>Between 2005 and 2012, he was Mirvac Group's CEO and Managing Director, responsible for successfully guiding the real estate development and investment company through the Global Financial Crisis and implementing sustained growth strategies.</p> <p>Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.</p>	
Other directorships	Chairman of Redcape Hotel Group Management Ltd	
Special responsibilities	None	
Interests in CNI	Ordinary stapled securities	3,861,523
	Performance rights granted	302,561

Mr John E. McBain , Dip. Urban Valuation, <i>Executive Director and Joint Chief Executive Officer</i>		
Experience and expertise	<p>Joint Chief Executive Officer, John McBain has founded four real estate entities including Hanover Property Group Ltd, Waltus Investments, Century Funds Management and Centuria Capital, the latter two with Joint Chief Executive officer, Jason Huljich. He has 40 years real estate experience across Australian, New Zealand and British markets, focused on the industrial and office sectors.</p> <p>John is chiefly responsible for the company's corporate governance, macro and long-term strategic direction, mergers and acquisitions, and he jointly steers the Senior Executive Committee. Since 2007, he has helped integrate several businesses into the company's fold, including the former 360 Capital Group (2016), a 63% interest in Heathley Asset Management (2019) and is in the process of a full takeover bid for Augusta Capital Limited having secured a 96.4% interest at the date of this report.</p> <p>John holds a Diploma in Urban Valuation (University of Auckland).</p>	
Other directorships	None	
Special responsibilities	Group Joint Chief Executive Officer	
Interests in CNI	Ordinary stapled securities	6,441,053
	Performance rights granted	1,891,347

Directors and directors' interests (continued)

Mr Jason C. Huljich, B. Comm. Executive Director and Joint Chief Executive Officer		
Experience and expertise	<p>Joint CEO Jason Huljich's 24-year real estate career spans the Australian commercial and industrial real estate sectors. He co-founded Centuria Capital, with Joint CEO, John McBain.</p> <p>He is an Executive Director of Centuria Capital Group, Centuria Life Limited, Centuria Healthcare Pty Limited and Centuria Healthcare Asset Management Limited. Jason shares the helm of Centuria with John, collectively overseeing \$9.4 billion of assets under management and 130 staff throughout Sydney, Melbourne, Brisbane and Manila.</p> <p>He is chiefly responsible for the company's real estate portfolio and funds management operations including the listed Centuria Industrial REIT (CIP) and Centuria Office REIT (COF), as well as Centuria's 13 unlisted funds. The latter regularly feature within the Top 10 Performing Core Funds in the Property Council of Australia/ MSCI Australia Unlisted Retail Quarterly Property Funds Index.</p> <p>Since Centuria was established, Jason has been pivotal in raising over \$2.5 billion for the listed and unlisted vehicles. He has been central to positioning Centuria as Australia's fourth largest external manager. CIP is included in the ASX 200, with COF and Centuria Capital Group (CNI) part of the ASX 300.</p> <p>Jason has a hands-on approach to the real estate operations throughout the company's platform. Transactions, Development, Funds Management, Distribution and Asset Management teams all report directly to him.</p> <p>Jason's career began after graduating with a Bachelor of Commerce (Commercial Law major) from the University of Auckland. He is the Property Funds Association of Australia (PFA)'s Past President and National Executive Committee Member. The PFA is the peak industry body representing the \$125 billion direct property investment industry.</p>	
Other directorships	None	
Special responsibilities	Group Joint Chief Executive Officer	
Interests in CNI	Ordinary stapled securities	3,718,114
	Performance rights granted	1,571,539

Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member).

Director	Board Meetings		COVID-19 Board Briefings		Audit, Risk, Management & Compliance Committee Meetings		Nomination & Remuneration Committee Meetings		Conflicts Committee meetings	
	A	B	A	B	A	B	A	B	A	B
Mr Garry S. Charny	27	27	8	8	6	6	6	6	9	9
Mr Peter J. Done	25	27	8	8	5	6	6	6	#	#
Mr John R. Slater	23	27	8	8	3	6	6	6	#	#
Ms Susan Wheeldon	24	27	7	8	#	#	#	#	8	9
Mr Nicholas R. Collishaw	27	27	8	8	#	#	#	#	#	#
Mr John E. McBain	27	27	8	8	#	#	#	#	#	#
Mr Jason C. Huljich	27	27	8	8	#	#	#	#	#	#

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the year

= Not a member of committee

Directors' meetings (continued)

Company secretary

Anna Kovarik was appointed to the position of Company Secretary on 5 July 2018.

Anna holds a Masters of Information Technology, a BA (Hons) in Systems Management and was awarded a distinction in the Global Executive MBA program at the University of Sydney. She is qualified as a solicitor in both the United Kingdom and New South Wales and was a senior associate at Allens law practice in Sydney.

Prior to joining Centuria, Anna held the position of Group Risk Manager at Mirvac Group and was previously Head of Group Insurance for AMP and General Counsel and Company Secretary at AMP Capital Brookfield.

Principal activities

The principal activities of the Group during the financial year were the marketing and management of investment products including direct interest in property funds, friendly society investment bonds and other liquid investments.

Significant changes in the state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

- Contributed equity attributable to Centuria Capital Group increased by \$251,291,000 to \$722,893,000 reflecting equity raisings undertaken during the year. This included stapled securities issued as partial consideration for the takeover of Augusta Capital Limited ('Augusta') on 8 July 2020 and the vesting of rights under the Executive Incentive Plan. Details of changes in contributed equity are disclosed in Note C10 to the consolidated financial statements.
- In October 2019, the Group repaid \$35,000,000 of the 7.0% fixed rate secured notes.
- The Group decreased its equity accounted stakes in Centuria Office REIT ('COF') and Centuria Industrial REIT ('CIP') to below 20% and these investments have since been accounted for as financial assets carried at fair value through profit or loss.
- The Group acquired a 63.06% economic interest (50% voting interest) in Heathley Limited, now known as Centuria Healthcare Pty Ltd (Centuria Healthcare). The Group was deemed to attain control and has consolidated Centuria Healthcare commencing from 19 July 2019.
- On the final day of the financial year the Group had received commitments to acquire 63.92% of the total Augusta shares and had stated its intention to declare the offer unconditional. As a result, the Group has been deemed to attain control over Augusta on the final day of the financial year on 30 June 2020. The offer was subsequently declared unconditional on 8 July 2020 at which time the Group's shareholdings in Augusta had reached 65.86%. The offer consisted of a cash component of NZ\$0.22 and a scrip component of 0.392 Centuria stapled securities per Augusta share.

Operating and financial review

The current year results have been impacted by the onset of the COVID-19 pandemic. The Group manages a variety of investment products including listed and unlisted property funds with direct interests in commercial properties.

The various income sources of the Group including management fees, performance fees and transaction fees are primarily dependent on the Group's Assets Under Management (AUM) which are impacted by, amongst other things, valuations of underlying investment properties and transaction volumes.

With the onset of the pandemic resulting in a lack of relevant transactional evidence in the marketplace, real estate valuations are currently subject to significant uncertainty. This has had an impact on the Group's real estate portfolio and, in particular, the commercial office properties managed by the Group.

Valuation techniques relied upon in assessing the fair value of investment properties have also been exposed to uncertainty around underlying assumptions, including the expected impact of the pandemic on vacancy rates, market rents and lease incentives.

In addition to the impact of these uncertainties on the Group's management fees, performance fees and transaction fees, the Group also holds significant co-investment stakes in funds managed by its subsidiaries which directly own commercial real estate. The returns on these investments have been similarly impacted by uncertainties in valuations and rental collections as well as broader macro-economic factors including volatility in equity capital markets.

In response to these emerging uncertainties, on 26 March 2020 the Group revised its FY20 forecast operating net profit after tax ('NPAT') to 11.5 cents per security ('cps'), down from its previous expectation of 12.5 cps.

Subsequently, on 7 April 2020, the government announced a National Cabinet Mandatory Code of Conduct ('the Code'). The Code applies to all tenancies suffering financial stress or hardship as a result of the COVID-19 pandemic. The Group has complied with the Code across all its managed property funds and worked with tenants to provide appropriate rent relief packages.

Whilst the situation continues to evolve, the Group is now pleased to report an increase in its final 30 June 2020 Operating NPAT to 12.0 cps. This represents an increase of 0.5 cps compared with its most recent guidance of 11.5 cents announced in March 2020.

The Group recorded a consolidated statutory NPAT for the year of \$22,087,000 (2019: \$50,941,000). Statutory NPAT has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

The Group recorded an operating profit after tax of \$53,253,000 (2019: \$45,706,000). Operating profit after tax excludes non-operating items such as transaction costs, fair value movements and share of net profit of equity accounted investments in excess of distributions received.

The statutory NPAT includes a number of items that are not considered operating in nature, the table below provides a reconciliation from statutory profit to operating profit.

Directors' report

Operating and financial review (continued)

	2020 \$'000	2019 \$'000
Reconciliation of statutory profit to operating profit		
Statutory profit after tax	22,087	50,941
<i>Statutory earnings per security (EPS) (cents)</i>	4.7	14.2
Less non-operating items:		
Unrealised loss/(gain) on fair value of investments and derivatives	34,837	(4,572)
Transaction and other costs	6,208	6,625
Impairment charges in relation to seed capital	550	-
Loss attributable to controlled property funds	1,323	7,390
Eliminations between the operating and non-operating segment	(3,347)	(5,256)
Share of equity accounted net loss/(profit) in excess of distributions received	(1,486)	(8,433)
Write-off of capitalised borrowing costs in relation to repayment of \$35.0m in 7.0% fixed rate secured notes	1,229	-
Tax impact of above non-operating adjustments	(8,148)	(989)
Operating profit after tax	53,253	45,706
<i>Operating EPS (cents)</i>	12.0	12.7

A summary of the Group's operating segments is provided in Note A7 of the Financial Report. The Operating NPAT for the Group comprises the result of the divisions which report to the Joint CEOs and Board of Directors for the purpose of resource allocation and assessment of performance.

Segment	Operating profit after tax \$'000		Increase/ (Decrease) \$'000	Increase/ (Decrease) %	Highlights
	2020	2019			
Property Funds Management	37,518	33,140	4,378	13	(a)
Investment Bonds Management	1,710	2,446	(736)	(30)	(b)
Co-Investments	19,166	14,505	4,661	32	(c)
Corporate	(5,141)	(4,385)	(756)	(17)	
Operating profit after tax	53,253	45,706			

A detailed Segment Profit and Loss as well as a detailed Segment Balance Sheet are outlined in Notes B1 and C1 respectively.

Operating and financial review (continued)

Operational highlights for the key segments were as follows:

(a) Property Funds Management

For the year ended 30 June 2020, excluding the after tax impact of performance fees, the Property Funds Management segment profit increased by \$5,087,000 or 29% reflecting the growth in AUM.

For the year ended 30 June 2020, Property Funds Management operating NPAT \$37,518,000 was higher than the prior year ending 30 June 2019 by \$4,378,000 primarily due to the impact of acquisitions in the first half of the financial year.

The increase in AUM was primarily attributable to \$1.2 Billion in organic acquisitions with 9 assets valued at \$935 million acquired in listed vehicles COF and CIP and the remainder of the increase relating to acquisitions in single asset funds and Healthcare properties.

(b) Investment Bonds Management

For the year ended 30 June 2020, the Investment Bonds Management segment's operating NPAT decreased by \$736,000 to \$1,710,000 primarily due to the impacts of COVID-19 on investment markets impacting AUM of Benefit Funds and consequently the management fees received.

Centuria's Investment Bonds Management business is the fourth largest friendly society/insurance bond issuer in Australia.

(c) Co-Investments

For the year ended 30 June 2020, the Co-Investments segment operating NPAT increased by \$4,661,000. This was primarily due to additional units acquired during the year in COF and CIP, as well as lower financing costs due to the repayment of \$35,000,000 in 7.0% fixed rate secured corporate notes in October 2019.

The Group's ownership stakes in COF and CIP decreased to 17.04% (2019: 20.76%) and 17.28% (2019: 24.15%) respectively due to reduced participation in equity raises during the year. As a result, the Group's accounting treatment of these investments changed from equity accounted investments to financial assets held at fair value.

The operating profit after tax for the Co-Investments segment represents the distributions and returns generated from investment stakes held less applicable financing costs.

Earnings per security (EPS)

	2020		2019	
	Operating	Statutory	Operating	Statutory
Basic EPS (cents/security)	12.0	4.7	12.7	14.2
Diluted EPS (cents/security)	11.6	4.6	11.9	13.2

Dividends and Distributions

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

Dividends/distributions paid during the year	Cents per security	Total amount \$'000	Date paid
Final 2019 dividend (100% franked)	0.50	1,918	16 August 2019
Final 2019 Trust distribution	4.50	17,262	16 August 2019
Interim 2020 dividend (100% franked)	1.70	7,630	31 January 2020
Interim 2020 Trust distribution	2.80	12,567	31 January 2020
Dividends/distributions declared during the year			
Final 2020 dividend (100% franked)	1.80	8,690	8 July 2020
Final 2020 Trust distribution	3.40	16,420	8 July 2020
Total amount	14.70	64,487	

Events subsequent to the reporting date

In addition to the issuance of 27,021,424 stapled securities in the Group which were recognised as at 30 June 2020 in respect of the acquisition of Augusta, the Group has subsequently issued a further 22,405,357 stapled securities for the additional Augusta shares that have been acquired to the date of this report. The Group's ownership of Augusta at the date of this report has increased to 96.4%.

Since balance date, the COVID-19 pandemic has continued to evolve with potential impacts on specific areas of judgement applied in preparing these financial statements.

Victoria has reported increasing numbers of COVID-19 cases since early July 2020 and the Victorian government has subsequently announced a stage-4 lock-down for Melbourne commencing from 2 August 2020 to 13 September 2020.

On 21 July 2020 the Government announced it is extending the JobKeeper Payment for a further six months until end of March 2021 to support businesses who continue to be significantly impacted by COVID-19.

The Group has continued to re-evaluate the potential impacts of the pandemic on significant inputs and key areas of judgement as outlined in Note A2. Based on these evaluations, the Group has determined there are no material events which would give rise to an adjustment.

Since balance date, CIP has announced unconditional acquisitions amounting to \$447 million. Included in these acquisitions is the sale and lease back of the Telstra Data Centre in Clayton, Victoria.

Other than the above, there has not arisen in the interval between 30 June 2020 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Likely developments

The Group continues to pursue its strategy of focusing on its core operations, utilising a strengthened balance sheet to provide support to grow and develop these operations.

Further information about likely developments in the operations of the Group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Group.

Environmental regulation

The Group's operations are not subject to any significant environmental regulation.

Indemnification of officers and auditor

The Company has agreed to indemnify all current and former directors and executive officers of the Company and its controlled entities against all liabilities to persons (other than the Company or a related body corporate) which arise out of the performance of their normal duties as a director or executive officer unless the liability relates to conduct involving a lack of good faith.

The Company has agreed to indemnify the directors and executive officers against all costs and expenses incurred in defending an action that falls within the scope of the indemnity and any resulting payments.

The directors have not included details of the nature of the liabilities covered or the amount of premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as such disclosure is prohibited under the terms of the contracts. The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or any related body corporate against a liability incurred as an officer or auditor.

Non-audit services

During the financial year, KPMG, the Group's auditor, has performed services in addition to the audit and review of the financial statements. Details of amounts paid or payable to KPMG are outlined in Note F4 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

The directors are of the opinion that the services as disclosed in the financial statements do not compromise the external auditor's independence, based on advice received from the Audit, Risk Management & Compliance Committee, for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22.

Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and 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.

Audited remuneration report

The remuneration report provides information about the remuneration arrangements for key management personnel (KMP), which includes non-executive Directors and the Group's most senior management, for the year ended 30 June 2020.

The report is structured as follows:

- Details of KMP covered in this report
- Remuneration policy and link to performance
- Remuneration of executive directors and senior management
- Key terms of employment contracts
- Non-executive director remuneration
- Director and senior management equity holdings and other transactions

Details of KMP covered in this report

The following persons are considered KMP of the Company during or since the end of the most recent financial year:

Name	Role
Mr Garry S. Charny	Independent Non-Executive Director and Chairman
Mr Peter J. Done	Independent Non-Executive Director
Mr John R. Slater	Independent Non-Executive Director
Ms Susan Wheeldon	Independent Non-Executive Director
Mr Nicholas R. Collishaw	Non-Executive Director
Mr John E. McBain	Executive Director and Joint Chief Executive Officer
Mr Jason C. Huljich	Executive Director and Joint Chief Executive Officer
Mr Simon W. Holt	Chief Financial Officer

The term 'senior management' is used in this remuneration report to refer to the executive directors and the Chief Financial Officer.

Remuneration policy and link to performance

The Group recognises the important role people play in the achievement of its long-term objectives and as a key source of competitive advantage. To grow and be successful, the Group must be able to attract, motivate and retain capable individuals. The Group's remuneration policy focuses on the following:

- Ensuring competitive rewards are provided to attract and retain executive talent;
- Linking remuneration to performance so that higher levels of performance attract higher rewards;
- Aligning rewards of all staff, but particularly senior management, to the creation of value to shareholders;
- Making sure the criteria used to assess and reward staff include financial and non-financial measures of performance;
- Ensuring the overall cost of remuneration is managed and linked to operating performance of the Group; and
- Ensuring severance payments due to the Joint Chief Executive Officers on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

The main objective in rewarding the Group's senior management for their performances is to ensure that shareholders' wealth is maximised through the Group's continued growth.

Under the remuneration policy, senior management's remuneration includes a fixed component as well as short-term and long-term incentive arrangements. The long-term incentives are based on the Group's performance for the year in reference to specific Total Securityholder Return (TSR) and Key Strategic Goals hurdles being met. The remuneration of senior management is directly aligned with the performance of the Group through the linking of short and long-term incentives to these financial and non-financial measures.

The short-term incentives are based on the individual's performance in the preceding 12 months compared to pre-agreed goals.

Audited remuneration report (continued)

Remuneration policy and link to performance (continued)

Where senior management is remunerated with shares, the Remuneration Policy places no limitations to their exposure to risk in relation to the shares.

Target incentive remuneration refers to the incentive pay provided for meeting performance requirements. Actual incentive remuneration can vary for senior management depending on the extent to which they meet performance requirements.

In accordance with the Group's corporate governance, the structure of non-executive director and senior management remuneration is separate and distinct.

Remuneration of senior management

Objective

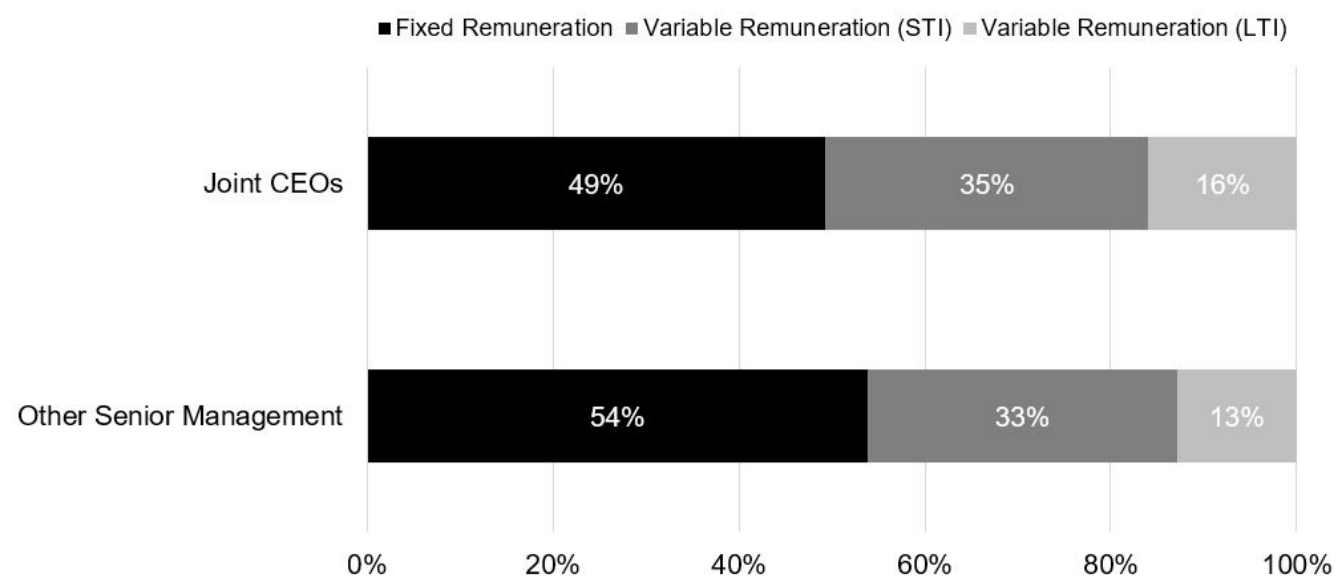
The Group aims to reward senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

- Reward senior management for company, business unit and individual performance against targets set by reference to appropriate benchmarks;
- Align the interests of senior management with those of stakeholders;
- Link rewards with the strategic goals and performance of the Group; and
- Ensure total remuneration is competitive by market standards.

Structure

In determining the level and make-up of senior management remuneration, the Joint Chief Executive Officers and Board have regard to market levels of remuneration for comparable executive roles.

Remuneration packages include a mix of fixed and variable remuneration and short and long-term performance-based incentives. The proportion of fixed and variable remuneration for senior management (excluding the Joint Chief Executive Officers) is established by the Joint Chief Executive Officers and the Nomination & Remuneration Committee. The proportion of fixed and variable remuneration for the Joint Chief Executive Officers is established solely by the Nomination & Remuneration Committee. While the allocation may vary from period to period, the graph below details the approximate fixed and variable components for senior management.



Audited remuneration report (continued)

Remuneration of senior management (continued)

Structure (continued)

(a) Fixed Remuneration

Fixed remuneration consists of base remuneration (which is calculated on a total cost basis and includes any FBT charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds. For senior management excluding the Joint Chief Executive Officers, this is reviewed annually by the Joint Chief Executive Officers and the Nomination & Remuneration Committee. The process consists of a review of Group, business unit and individual performance as well as relevant comparative remuneration in the market. The same process is used by the Nomination & Remuneration Committee when reviewing the fixed remuneration of the Joint Chief Executive Officers.

Senior management are given the opportunity to receive their fixed remuneration in a variety of forms including cash and salary sacrifice items such as motor vehicles, motor vehicle allowances and/or additional superannuation contributions.

(b) Variable Remuneration

Under the Group's Senior Management Remuneration Policy, long and short-term performance incentives may be made under the Group's incentive plans. These are discussed further below.

(i) Short-term Incentives (STI)

The objective of the STI program is to link the achievement of the Group's non-financial and financial targets with the remuneration received by senior management accountable for meeting those targets. The potential STI available is set at a level to provide sufficient incentive for senior management to achieve operational targets and such that the cost to the Group is reasonable in the circumstances.

The Group's financial targets fall into the following categories:

- Meeting or Exceeding Budgeted Operating NPAT;
- Growth in Net Group Assets Under Management (AUM);
- Management and control of Group overheads in line with size and scale of operations;
- Integration and growth of newly acquired businesses;
- Execution and delivery of Growth targets through Mergers & Acquisitions; and
- Delivery of minimum performance fees.

The Group's non-financial targets fall into the following categories:

- Identification and Management of financial and non-financial risks;
- Development of a strong risk management culture;
- Identification, reporting and resolution of conflicts of interest between various stakeholders;
- Development and facilitation of new distribution channels;
- Ensuring high employee engagement;
- Delivery of appropriate training and development opportunities for staff; and
- Ensuring continued growth in financial coverage and media exposure.

At the Board's absolute discretion, the Group's Senior Management may be provided with the opportunity to receive an annual, performance-based incentive, either in the form of cash or the issue of shares in the Group, or a combination of both.

During the current financial year, the Group issued nil (2019: nil) STI ordinary securities to the Group's Senior Management in addition to cash bonuses provided.

(ii) Long-term Incentives (LTI)

The Group has an Executive Incentive Plan ("LTI Plan") which forms a key element of the Group's incentive and retention strategy for senior management under which Performance Rights ("Rights") are issued.

The primary objectives of the LTI Plan include:

- focusing executives on the longer term performance of the Group to drive long term shareholder value creation;

Audited remuneration report (continued)

Remuneration of senior management (continued)

Structure (continued)

- ensure senior management remuneration outcomes are aligned with shareholder interests, in particular, the strategic goals and performance of the Group; and
- ensure remuneration is competitive and aligned with general market practice by ASX listed entities.

Rights issued under the LTI Plan are issued in accordance with the thresholds approved at the Annual General Meeting (AGM).

A summary of the key terms of the Performance Rights are set out below.

Term	Detail
Performance Rights ("Rights")	Each Right is a right to receive a fully paid ordinary stapled security in the Group ("Security"), subject to meeting the Performance Conditions. Upon meeting the Performance Conditions, the Rights vest and securities are allocated. Rights do not carry a right to vote or to dividends or, in general, a right to participate in other corporate actions such as bonus issues.
Vesting conditions	The Rights will vest to the extent that the board determines that: - The performance conditions that apply to the Rights were satisfied; and - The employee was continuously employed by the Company until the end of the Performance Period.
Vesting date	The date on which the Board determines the extent to which the performance conditions are satisfied and the Rights vest.
Performance Conditions	The Performance Conditions set out in the LTI Plan relate to: - Growth in property and friendly society funds under management ("FUM Hurdle"); and - Absolute Total Securityholder Return Performance ("Absolute TSR Hurdle").
Unvested rights	Subject to the Board's discretion, unvested Rights lapse upon the earliest of ceasing employment, corporate restructuring, divestment of material business or subsidiary, change of control, clawback and lapse for fraud and breach, failure to satisfy the Performance Conditions and the 15th anniversary of the date of the grant.

The Group currently operates three tranches of the Executive Incentive Plan ("Plan") as below.

Tranche	Grant Date	Performance Period
5	1 November 2017	1 July 2017 to 30 June 2020
6	1 February 2019	1 July 2018 to 30 June 2021
7	18 October 2019	1 July 2019 to 30 June 2022

Audited remuneration report (continued)

Remuneration of senior management (continued)

Structure (continued)

The Group's overall objective is to reward executive directors and senior management based on the Group's performance and build on shareholders' wealth but this is subject to market conditions for the year. The table below sets out summary information about the Group's earnings for the past five years.

5 year summary	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
Statutory profit after tax attributable to Centuria Capital Group securityholders (\$'000)	21,105	50,795	54,765	17,323	12,303
Operating profit after tax (\$'000)	53,253	45,706	45,087	15,489	11,344
Share price at start of year	\$1.77	\$1.40	\$1.23	\$1.05	\$0.93
Share price at end of year	\$1.79	\$1.77	\$1.40	\$1.23	\$1.05
Interim dividend	4.5cps	4.25cps	4.1cps	2.3cps	2.25cps
Final dividend	5.2cps	5.0cps	4.1cps	5.2cps	3.0cps
Special non-cash dividend	-	7.8cps	-	17.27cps	-
Statutory basic earnings per Centuria Capital Group security	4.7 cps	14.2cps	19.8cps	11.5cps	15.8cps
Operating basic earnings per Centuria Capital Group security	12.0 cps	12.7cps	16.3cps	10.3cps	14.8cps

Audited remuneration report (continued)

Remuneration of senior management (continued)

FUM Hurdle

The percentage of Rights subject to the growth in FUM Hurdle that vest, if any, will be determined as follows:

	Tranche 5 (25% of rights granted)		Tranche 6 (25% of rights granted)		Tranche 7 (25% of rights granted)	
	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest
Maximum % or above	20% or greater	100%	20% or greater	100%	25% or greater	100%
Between threshold % and maximum %	More than 10%, less than 20%	Pro-rata vesting between 25% to 100%	More than 10%, less than 20%	Pro-rata vesting between 25% to 100%	More than 10%, less than 25%	Pro-rata vesting between 25% to 100%
Threshold %	10%	25%	10%	25%	10%	25%
Less than the threshold %	Less than 10%	0%	Less than 10%	0%	Less than 10%	0%

Absolute TSR Hurdle

The percentage of Rights subject to the Absolute TSR Hurdle that vest, if any, will be determined as follows:

	Tranche 5 (75% of rights granted)		Tranche 6 (75% of rights granted)		Tranche 7 (75% of rights granted)	
	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest	Compound annual growth Rate	Portion of Rights that vest
Maximum % or above	15% or greater	100%	15% or greater	100%	20% or greater	100%
Between threshold % and maximum %	More than 10%, less than 15%	Pro-rata vesting between 25% to 100%	More than 10%, less than 15%	Pro-rata vesting between 25% to 100%	More than 10%, less than 20%	Pro-rata vesting between 25% to 100%
Threshold %	10%	25%	10%	25%	10%	25%
Less than the threshold %	Less than 10%	0%	Less than 10%	0%	Less than 10%	0%

Audited remuneration report (continued)**Remuneration of senior management (continued)***Rights Granted*

The following Rights were granted to senior management:

Key management personnel	No. of Rights granted	Vesting conditions	Fair value at Grant Date
Tranche 5 (grant date of 1 November 2017) (i)			
Mr John E. McBain	125,762	FUM Growth Hurdle	\$1.24
	377,287	Absolute TSR Growth Hurdle	\$0.62
Mr Jason C. Huljich	79,055	FUM Growth Hurdle	\$1.24
	237,165	Absolute TSR Growth Hurdle	\$0.62
Mr Simon W. Holt	43,834	FUM Growth Hurdle	\$1.24
	131,502	Absolute TSR Growth Hurdle	\$0.62
Total	994,605		

(i) The performance objectives for performance rights granted under Tranche 5 were met in full by 30 June 2020. As a result, these rights will vest on 13 August 2020.

Key management personnel	No. of Rights granted	Vesting conditions	Fair value at Grant Date
Tranche 6 (grant date of 1 February 2019)			
Mr John E. McBain	159,575	FUM Growth Hurdle	\$1.11
	478,724	Absolute TSR Growth Hurdle	\$0.19
Mr Jason C. Huljich	126,330	FUM Growth Hurdle	\$1.11
	378,989	Absolute TSR Growth Hurdle	\$0.19
Mr Simon W. Holt	57,624	FUM Growth Hurdle	\$1.11
	172,872	Absolute TSR Growth Hurdle	\$0.19
Total	1,374,114		

Key management personnel	No. of Rights granted	Vesting conditions	Fair value at Grant Date
Tranche 7			
Mr John E. McBain	187,500 (i)	FUM Growth Hurdle	\$1.87
	562,500 (i)	Absolute TSR Growth Hurdle	\$0.79
Mr Jason C. Huljich	187,500 (i)	FUM Growth Hurdle	\$1.87
	562,500 (i)	Absolute TSR Growth Hurdle	\$0.79
Mr Simon W. Holt	69,514 (ii)	FUM Growth Hurdle	\$1.87
	208,542 (ii)	Absolute TSR Growth Hurdle	\$0.79
Total	1,778,056		

(i) Grant date of 25 November 2019.

(ii) Grant date of 18 October 2019.

Audited remuneration report (continued)

Remuneration of senior management (continued)

Statutory remuneration table

The following table discloses total remuneration of executive directors and senior management in accordance with the *Corporations Act 2001*:

		Short-term employee benefits	Post employment benefits	Other long-term benefits	Share-based payments	Total	
	Year	Salaries (\$)	Bonus (\$)	Superannuation (\$)	Long service leave (\$)	\$	
Mr John E. McBain	2020	1,310,732	945,000	22,397	3,151	466,609	2,747,889
	2019	1,179,469	900,000	20,531	121,136	367,324	2,588,460
Mr Simon W. Holt	2020	686,550	436,150	21,003	-	169,260	1,312,963
	2019	629,469	422,500	20,531	-	111,878	1,184,378
Mr Jason C. Huljich	2020	1,307,092	945,000	21,003	19,703	399,961	2,692,759
	2019	934,469	850,000	20,531	(93,160)	226,523	1,938,363
Mr Nicholas R. Collishaw	2020	-	-	-	-	77,783	77,783
Note (i)	2019	-	-	-	-	152,267	152,267
Total	2020	3,304,374	2,326,150	64,403	22,854	1,113,613	6,831,394
	2019	2,743,407	2,172,500	61,593	27,976	857,992	5,863,468

Note (i) Mr Collishaw's role changed from Executive Director and CEO - Listed Property Funds to Non-Executive Director effective 1 January 2018. Mr Collishaw's share based payment amount relates to expense recognised on performance rights granted to him under Tranche 4 and Tranche 5 while he was still employed as an Executive Director.

Audited remuneration report (continued)

Key terms of employment contracts

Group Joint Chief Executive Officers

Mr John E. McBain, was appointed as Chief Executive Officer of the Group in April 2008. Mr Jason C. Huljich, was appointed as Joint Chief Executive Officer of the Group in June 2019. Mr John E. McBain and Mr Jason C. Huljich are employed under contract. The summary of the major terms and conditions of their employment contracts are as follows:

- Fixed Compensation plus superannuation contributions;
- Car parking within close proximity to the Company's office;
- Eligible to participate in the bonus program determined at the discretion of the Board;
- The Group may terminate this employment contract by providing six months written notice or provide payment in lieu of the notice period plus an additional six months. Any payment in lieu of notice will be based on the total fixed compensation package; and
- The Group may terminate the employment contract at any time without notice if serious misconduct has occurred. When termination with cause occurs the Joint Chief Executive Officers are only entitled to remuneration up to the date of termination.

Other senior management (standard contracts)

All senior management are employed under contract. The Group may terminate their employment agreement by providing three months written notice or providing payment in lieu of the notice period (based on the total fixed compensation package).

Non-executive director remuneration

Objective

The Board seeks to set aggregate remuneration at a level that provides the Group with the ability to attract and retain directors of the highest calibre, whilst incurring a cost that is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the aggregate amount determined is then divided between the directors as agreed. An aggregate maximum amount of not more than \$2,000,000 per year was approved at the 2017 Annual General Meeting.

Directors' Fees

Each director receives a fee for being a director of Group companies and an additional fee is paid to the Chairman and to the Chairman of each Board Committee. The payment of the additional fees to each Chairman recognises the additional time commitment and responsibility associated with the position.

Audited remuneration report (continued)

Non-executive director remuneration (continued)

Directors' Fees (continued)

	Year	Short-term benefits	Post-employment benefits	Total \$
		Board fees \$	Superannuation \$	
Mr Garry S. Charny	2020	235,777	20,849	256,626
	2019	215,753	20,497	236,250
Mr Peter J. Done	2020	196,324	8,977	205,301
	2019	182,220	6,780	189,000
Mr John R. Slater	2020	135,409	12,864	148,273
	2019	124,658	11,842	136,500
Ms Susan Wheeldon	2020	99,995	9,499	109,494
	2019	92,055	8,745	100,800
Mr Nicholas R. Collishaw	2020	124,993	11,874	136,867
	2019	115,068	10,932	126,000
Total	2020	792,498	64,063	856,561
	2019	729,754	58,796	788,550

Director and senior management equity holdings and other transactions

Director and senior management equity holdings

Set out below are details of movements in fully paid ordinary shares held by directors and senior management as at the date of this report.

Name	Balance at 1 July 2019	Movement	Balance at 30 June 2020	Changes prior to signing	Balance at signing date
Mr Garry S. Charny	326,345	43,331	369,676	-	369,676
Mr Peter J. Done	1,300,412	28,570	1,328,982	-	1,328,982
Mr John R. Slater	3,200,000	(161,430)	3,038,570	-	3,038,570
Ms Susan Wheeldon	-	-	-	-	-
Mr Nicholas R. Collishaw	3,586,227	275,296	3,861,523	-	3,861,523
Mr John E. McBain	5,865,404	575,649	6,441,053	-	6,441,053
Mr Jason C. Huljich	3,433,294	284,820	3,718,114	-	3,718,114
Mr Simon W. Holt	377,944	133,092	511,036	-	511,036

Audited remuneration report (continued)

Director and senior management equity holdings and other transactions (continued)

Transactions with key management personnel

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

During the financial year, the following transactions occurred between the Group and key management personnel:

- Wolseley Corporate Pty Ltd, a related party of Mr Garry S. Charny, was paid \$556,050 (inclusive of GST) (2019: \$588,500) for corporate advisory fees.
- Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater was paid a total of \$271,558 (inclusive of GST) (2019: \$279,836) for consultancy services. In addition, Tailwind Consulting paid the Group \$4,840 for rental of office space in 2019.
- Mr Nicholas R. Collishaw was paid a total of \$66,000 (inclusive of GST) in 2019 for consultancy services.

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



Mr Garry S. Charny
Director



Mr Peter J. Done
Director

Sydney
12 August 2020



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

To the Directors of Centuria Capital Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Capital Group for the financial year ended 30 June 2020 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
12 August 2020

Centuria Capital Group

ABN 22 095 454 336

Financial report 30 June 2020

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Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	B1, B2	162,373	115,977
Share of net profit of equity accounted investments	E1	8,310	30,213
Net movement in policyholder liability		34,445	17,370
Fair value movements of financial instruments and property		(48,280)	(2,262)
Expenses	B3	(115,043)	(80,692)
Finance costs	B4	(18,602)	(20,262)
Profit before tax		23,203	60,344
Income tax expense	B5	(1,116)	(9,403)
Profit after tax		22,087	50,941
Profit after tax is attributable to:			
Centuria Capital Limited		20,956	19,611
Centuria Capital Fund (non-controlling interests)		149	31,184
External non-controlling interests		982	146
Profit after tax		22,087	50,941
Foreign currency translation reserve		(421)	-
Total comprehensive income for the year		21,666	50,941
Total comprehensive income for the year is attributable to:			
Centuria Capital Limited		20,535	19,611
Centuria Capital Fund (non-controlling interests)		149	31,184
External non-controlling interests		982	146
Total comprehensive income		21,666	50,941
Profit after tax attributable to:			
Centuria Capital Limited		20,956	19,611
Centuria Capital Fund (non-controlling interests)		149	31,184
Profit after tax attributable to Centuria Capital Group securityholders		21,105	50,795
		Cents	Cents
Earning per Centuria Capital Group security			
Basic (cents per stapled security)	B6	4.7	14.2
Diluted (cents per stapled security)	B6	4.6	13.2
Earnings per Centuria Capital Limited share			
Basic (cents per share)		4.7	5.5
Diluted (cents per share)		4.5	5.1

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

Consolidated statement of financial position

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Cash and cash equivalents	D2	174,458	124,673
Receivables	C2	68,729	69,862
Income tax receivable	B5(b)	755	-
Financial assets	C3	773,417	356,114
Other assets		10,795	5,741
Investment properties held for sale		861	-
Property held for development	C5	31,295	-
Deferred tax assets	B5(c)	39,519	-
Equity accounted investments	E1	32,955	386,713
Investment properties	C4	167,110	177,500
Right of use asset	C9	21,393	-
Intangible assets	C6	280,120	157,663
Total assets		1,601,407	1,278,266
Payables	C7	76,532	42,232
Provisions		2,201	1,878
Borrowings	C8	265,051	303,110
Provision for income tax	B5(b)	5,998	813
Interest rate swaps at fair value		33,388	28,814
Benefit Funds policyholder's liability		311,535	339,557
Deferred tax liabilities	B5(c)	35,825	10,494
Call/Put option liability		17,167	-
Lease liability	C9	22,564	-
Total liabilities		770,261	726,898
Net assets		831,146	551,368
Equity			
Equity attributable to Centuria Capital Limited			
Contributed equity	C10	177,149	128,164
Reserves		2,901	2,101
Retained earnings		17,074	12,438
Total equity attributable to Centuria Capital Limited		197,124	142,703
Equity attributable to Centuria Capital Fund (non-controlling interests)			
Contributed equity	C10	545,744	343,438
Retained earnings		(9,771)	19,067
Total equity attributable to Centuria Capital Fund (non-controlling interests)		535,973	362,505
Total equity attributable to Centuria Capital Group securityholders		733,097	505,208
Equity attributable to external non-controlling interests			
Contributed equity		57,230	32,927
Retained earnings		40,819	13,233
Total equity attributable to external non-controlling interests		98,049	46,160
Total equity		831,146	551,368

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 2020

	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)			Total attributable to Centuria Capital Group Securityholders					External non-controlling interests			Total equity
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2019	128,164	2,101	12,438	142,703	343,438	19,067	362,505	505,208	32,927	13,233	46,160	551,368				
Profit for the year	-	-	20,956	20,956	-	149	149	21,105	-	982	982	22,087				
Foreign currency translation reserve	-	(421)	-	(421)	-	-	-	(421)	-	-	-	(421)				
Total comprehensive income for the year	-	(421)	20,956	20,535	-	149	149	20,684	-	982	982	21,666				
Acquisition of subsidiaries with Non-controlling interests	-	-	-	-	-	-	-	-	42,982	13,386	56,368	56,368				
Equity settled share based payments expense	795	1,221	-	2,016	-	-	-	2,016	-	-	-	2,016				
Dividends and distributions paid/accrued	-	-	(16,320)	(16,320)	-	(28,987)	(28,987)	(45,307)	-	(3,375)	(3,375)	(48,682)				
Securities issued	49,845	-	-	49,845	205,216	-	205,216	255,061	1,459	-	1,459	256,520				
Cost of equity raising	(1,655)	-	-	(1,655)	(2,910)	-	(2,910)	(4,565)	-	-	-	(4,565)				
Deconsolidation of controlled property funds	-	-	-	-	-	-	-	-	(20,138)	16,593	(3,545)	(3,545)				
Balance at 30 June 2020	177,149	2,901	17,074	197,124	545,744	(9,771)	535,973	733,097	57,230	40,819	98,049	831,146				

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

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)			External non-controlling interests				
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total attributable to Centuria Capital Group securityholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
Balance at 1 July 2018	98,770	1,896	28,005	128,671	244,930	18,183	263,113	391,784	32,927	16,450	49,377	441,161
Profit for the year	-	-	19,611	19,611	-	31,184	31,184	50,795	-	146	146	50,941
Total comprehensive income for the year	-	-	19,611	19,611	-	31,184	31,184	50,795	-	146	146	50,941
Equity settled share based payments expense	966	205	-	1,171	-	-	-	1,171	-	-	-	1,171
Dividends and distributions paid/accrued	-	-	(5,178)	(5,178)	-	(30,300)	(30,300)	(35,478)	-	(3,363)	(3,363)	(38,841)
Special non-cash dividend/capital reallocation	-	-	(30,000)	(30,000)	30,000	-	30,000	-	-	-	-	-
Stapled securities issued	29,425	-	-	29,425	70,694	-	70,694	100,119	-	-	-	100,119
Cost of equity raising	(997)	-	-	(997)	(2,186)	-	(2,186)	(3,183)	-	-	-	(3,183)
Balance at 30 June 2019	128,164	2,101	12,438	142,703	343,438	19,067	362,505	505,208	32,927	13,233	46,160	551,368

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 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Management fees received		75,476	46,330
Performance fees received		37,231	1,361
Rent received		19,261	20,775
Distributions received		35,083	34,628
Interest received		3,232	6,863
Payments to suppliers and employees		(92,582)	(64,906)
Interest paid		(13,171)	(15,761)
Income taxes paid		(9,634)	(1,052)
Applications - Benefits Funds		20,383	17,160
Redemptions - Benefits Funds		(42,153)	(32,494)
Net cash provided by operating activities	D3	33,126	12,904
Cash flows from investing activities			
Proceeds from sale of related party investments		53,554	3,552
Purchase of investments in related parties		(111,831)	(173,294)
Repayment of loans by related parties		11,800	5,865
Loans to related parties		(11,800)	-
Proceeds from sale of investment property		23,500	22,600
Payments in relation to investment properties		(21,108)	(1,896)
Purchase of equity accounted investments		(14,102)	(23,960)
Purchase of other investments		(6,115)	(72,263)
Payments for property, plant and equipment		(522)	(3,713)
Cash balance on acquisition of subsidiaries		15,773	-
Purchase of subsidiaries		(40,852)	-
Collections from reverse mortgage holders		1,646	953
Purchase of property held for development		(1,295)	-
Benefit Funds net disposals of investments in financial assets		6,764	20,001
Return of investment to external non-controlling interests		(4,230)	-
Proceeds from sale of investments		-	136,899
Cash contribution to related party		-	(20,000)
Loans provided to other parties		-	(5,925)
Net cash used in investing activities		(98,818)	(111,181)
Cash flows from financing activities			
Proceeds from issue of securities to securityholders of Centuria Capital Group		205,736	100,119
Equity raising costs paid		(4,317)	(3,179)
Proceeds from borrowings		6,549	80,000
Repayment of borrowings		(49,887)	(21,705)
Capitalised borrowing costs paid		(1,311)	(1,725)
Distributions paid to securityholders of Centuria Capital Group		(39,377)	(29,111)
Proceeds from issues of securities to external non-controlling interests		1,459	-
Distributions paid to external non-controlling interests		(3,375)	(3,363)
Net cash provided by financing activities		115,477	121,036
Net increase in cash and cash equivalents		49,785	22,759
Cash and cash equivalents at the beginning of the financial year		124,673	101,914
Cash and cash equivalents at end of year		174,458	124,673

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

A About the report

A1 General information

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

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

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).

The consolidated financial statements of the Group comprising the Company (as 'Parent') and its controlled entities for the year ended 30 June 2020 were authorised for issue by the Group's Board of Directors on 12 August 2020.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, other financial assets, investment properties, properties held for development 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 company's functional currency, unless otherwise noted.

Assets and liabilities have been presented on the face of the statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items.

Going concern

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

Rounding of amounts

The Group is an entity of a kind referred to in ASIC Legislative Instrument 2016/191, related to the 'rounding off' of amounts in the Directors' Report and 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 Coronavirus (COVID-19) impact

Background

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

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

The Group has considered the impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement as noted in Note A6 did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Group's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

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

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

Consideration of the statements of financial position and further disclosures

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

Financial assets

The Group carries significant investments in entities that directly own real estate, such as external funds that are managed by subsidiaries of the Group. These investments are impacted by stock market volatility (for investments in ASX-listed securities) and by property valuations (for investments in unlisted securities). Refer to Note C3. The Group's residential mortgage receivables are fair valued with inputs including long term yield curve and assumptions in relation to the valuation of secured properties at the expiry of the arrangement. Refer to note F3.

Investment properties

As a result of COVID-19, there is significant valuation uncertainty due to an inactive property investment market, a lack of relevant transactional evidence as well as uncertainties in relation to the potential impact of the pandemic on future cash flows. Assessing the fair value of investment property involves uncertainties around underlying assumptions given the constantly changing nature of the situation. Refer to note C4 for an outline of the Group's investment property valuation methodologies, as well as additional sensitivity analysis performed around the fair valuation of properties in response to the onset of the pandemic.

Intangible assets

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

Financial instruments

Given recent market volatility as a result of COVID-19, the Group reviewed the appropriateness of the inputs to its valuations of financial instruments including receivables, payables and derivative instruments. The impact of changes of inputs to the valuations has also been considered in terms of the classification of exposures in the fair value hierarchy and transfers within the fair value hierarchy. Refer to note F3.

A3 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 2019 with the exception of the adoption of new accounting standards 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.

During the year, the Group decreased its equity accounted stakes in Centuria Office REIT ('COF') and Centuria Industrial REIT ('CIP') to below 20% and these investments have since been accounted for as financial assets carried at fair value through profit or loss. Refer Note E1 for further details.

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

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rate at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

However, foreign currency differences arising from the translation of the following items are recognised in Other Comprehensive Income (OCI):

- an investment in equity securities designated as at Fair value through OCI (FVOCI) (except on impairment, in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss);
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; and
- qualifying cash flow hedges to the extent that the hedges are effective.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the Australian dollar (AUD) at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into AUD at the exchange rates at the date of the transactions.

Foreign currency differences arising from the translation of foreign operations are recognised in OCI and accumulated into the translation reserve, except to the extent that the translation difference is allocated to NCI.

New Accounting Standards

The Group has applied new accounting standards and their impact is disclosed in Note A4. 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.

A4 Adoption of new accounting standards and interpretations

New and amended accounting standards relevant to the Group as well as their impact on the Group's consolidated financial statements that are effective for the period are as follows:

(a) AASB 16 Leases

(i) *Nature of change*

AASB 16 *Leases* was issued in February 2016. It has resulted in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases has been 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.

(ii) *Impact*

The new standard has primarily impacted the accounting for the Group's operating leases. As at the reporting date, the Group has six material operating lease commitments being Level 41 Chifley Square, Sydney NSW, Level 2, 56 Clarence Street, Sydney NSW, 120 Collins Street, Melbourne VIC, 348 Edward Street, Brisbane QLD, 38-35 Gaunt Street Auckland NZ and 331-335 Devon Street East, New Plymouth NZ. The application of the new standard has resulted in the recognition of right of use assets along with lease liabilities for each lease in the consolidated statement of financial position.

The adoption of the new standard has also required reclassification in the consolidated statement of profit or loss and other comprehensive income of the lease payments expenses, associated with these leases, replaced with depreciation expense on the leased assets and interest charges with respect to the lease liabilities. The changes on adoption of the new standard have not had a material impact on retained earnings, the consolidated statement of profit or loss or other comprehensive income in the current period.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2020. The weighted-average rate applied is 5.55%.

Upon adoption of the new leasing standard effective 1 July 2019, the modified retrospective approach was used at transition resulting in leased assets increasing by approximately \$19,723,779 which was offset by a corresponding increase in lease liabilities of approximately \$19,723,779, with no material net impact to net profit.

A5 Other new Accounting Standards and Interpretations

A number of new accounting standards have been published that are not effective for the 30 June 2020 reporting period. The Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

AASB 17 Insurance Contracts

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

AASB 2018-6

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

AASB 2018-7

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

AASB 2014-10

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

A6 Use of judgements and estimates

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

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

- Note C4 Investment properties
- Note C6 Intangible assets
- Note F3 Financial instruments

A7 Segment summary

As at 30 June 2020 the Group has four reportable operating segments. These reportable operating segments are the divisions which report to the Group's Joint Chief Executive Officers and Board of Directors for the purpose of resource allocation and assessment of performance.

The reportable operating segments are:

Operating segments	Description
Property Funds Management	Management of listed and unlisted property funds and rendering of services in social and affordable housing developments.
Investment Bonds Management	Management of the Benefit Funds of Centuria Life Limited and management of the Over Fifty Guardian Friendly Society Limited. The Benefit Funds include a range of financial products, including single and multi-premium investments.
Co-Investments	Direct interest in property funds, properties held for development and other liquid investments
Corporate	Overheads for supporting the Group's operating segments and management of a reverse mortgage lending portfolio

In addition, the Group also provides disclosures in relation to a further four non-operating segments, which are:

Non-operating segments	Description
Non-operating items	Comprises transaction costs, mark-to-market movements in property and derivative financial instruments, share of equity accounted net profit in excess of distributions received and all other non-operating activities
Benefit Funds	Represents the operating results and financial position of the Benefit Funds of Centuria Life Limited which are required to be consolidated in the Group's financial statements in accordance with accounting standards
Controlled Property Funds	Represents the operating results and financial position of property funds which are managed by the group and consolidated under accounting standards. The group's principal activities do not include direct ownership of these funds for the purpose of measuring control under accounting standards and deriving rental income. Therefore the results attributable to the controlled property funds are excluded from operating profit. However, the performance management of the controlled property funds is included in operating profit, aligned with how performance of the business is assessed by management of the Group.
Eliminations	Elimination of transactions between the operating segments and the other non-operating segments above, including transactions between the operating entities within the Group, the property funds controlled by the Group and the benefit funds.

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

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

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

B Business performance

B1 Segment profit and loss

For the year ended 30 June 2020	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co-Investments \$'000	Corporate \$'000	Operating profit \$'000	Non operating items \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory profit \$'000
Management fees		53,439	9,667	-	-	63,106	-	-	-	(6,027)	57,079
Property acquisition fees		6,854	-	-	-	6,854	-	-	-	-	6,854
Property performance fees		21,509	-	-	-	21,509	-	-	-	-	21,509
Development revenue		19,075	-	-	-	19,075	-	-	-	-	19,075
Property sales fees		2,919	-	-	-	2,919	-	-	20	-	2,939
Interest revenue		259	42	445	2,851	3,597	-	2,353	22	(131)	5,841
Rental income		429	-	-	394	823	-	-	12,691	-	13,514
Recoverable outgoings		-	-	-	-	-	-	-	3,747	-	3,747
Distribution/dividend revenue		-	-	31,785	-	31,785	(6,363)	5,188	-	(2,757)	27,853
Premiums - discretionary participation features		-	-	-	-	-	-	1,750	-	-	1,750
Other income		565	416	-	1,066	2,047	-	99	66	-	2,212
Total Revenue		105,049	10,125	32,230	4,311	151,715	(6,363)	9,390	16,546	(8,915)	162,373
Share of net profit of equity accounted investments	E1	-	-	-	-	-	7,849	461	-	-	8,310
Net movement in policyholder liabilities		-	-	-	-	-	-	34,445	-	-	34,445
Fair value movements of financial instruments and property		-	-	-	-	-	(34,837)	(13,383)	(6,165)	6,105	(48,280)
Expenses	B3	(49,074)	(7,581)	(117)	(14,696)	(71,468)	(6,758)	(34,229)	(8,614)	6,026	(115,043)
Finance costs	B4	(11)	(3)	(12,522)	(1,873)	(14,409)	(1,229)	(5)	(3,090)	131	(18,602)
Profit/(Loss) before tax		55,964	2,541	19,591	(12,258)	65,838	(41,338)	(3,321)	(1,323)	3,347	23,203
Income tax benefit/(expense)	B5	(18,446)	(831)	(425)	7,117	(12,585)	8,148	3,321	-	-	(1,116)
Profit/(Loss) after tax		37,518	1,710	19,166	(5,141)	53,253	(33,190)	-	(1,323)	3,347	22,087
Profit/(loss) after tax attributable to:											
Centuria Capital Limited		37,518	1,710	568	(15,822)	23,974	(3,018)	-	-	-	20,956
Centuria Capital Fund		-	-	18,598	10,681	29,279	(30,172)	-	-	1,042	149
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		37,518	1,710	19,166	(5,141)	53,253	(33,190)	-	-	1,042	21,105
Non-controlling interests		-	-	-	-	-	-	-	(1,323)	2,305	982
Profit/(loss) after tax		37,518	1,710	19,166	(5,141)	53,253	(33,190)	-	(1,323)	3,347	22,087

Business performance

B1 Segment profit and loss (continued)

For the year ended 30 June 2019	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Corporate \$'000	Operating profit \$'000	Non operating items \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory profit \$'000
Management fees		39,720	9,963	-	-	49,683	-	-	-	(7,543)	42,140
Property acquisition fees		1,135	-	-	-	1,135	-	-	-	-	1,135
Property performance fees		22,522	-	-	-	22,522	-	-	-	-	22,522
Development revenue		1,558	-	-	-	1,558	-	-	-	-	1,558
Property sales fees		1,581	-	-	-	1,581	-	-	(226)	-	1,355
Interest revenue		343	78	317	3,443	4,181	-	5,453	41	(140)	9,535
Rental income		-	-	-	-	-	-	-	14,653	-	14,653
Recoverable outgoings		-	-	-	-	-	-	-	4,328	-	4,328
Distribution/dividend revenue		-	-	27,591	-	27,591	(19,798)	7,163	-	(1,056)	13,900
Premiums - discretionary participation features		-	-	-	-	-	-	2,407	-	-	2,407
Other income		1,194	272	686	16	2,168	-	157	119	-	2,444
Total revenue		68,053	10,313	28,594	3,459	110,419	(19,798)	15,180	18,915	(8,739)	115,977
Share of net profit of equity accounted investments	E1	-	-	-	-	-	28,231	1,982	-	-	30,213
Net movement in policyholder liabilities		-	-	-	-	-	-	17,370	-	-	17,370
Fair value movements of financial instruments and property		-	-	-	-	-	4,572	(2,193)	(10,953)	6,312	(2,262)
Expenses	B3	(20,464)	(6,792)	(65)	(12,278)	(39,599)	(6,625)	(31,294)	(10,717)	7,543	(80,692)
Finance costs	B4	(2)	(2)	(13,846)	(1,913)	(15,763)	-	(4)	(4,635)	140	(20,262)
Profit/(Loss) before tax		47,587	3,519	14,683	(10,732)	55,057	6,380	1,041	(7,390)	5,256	60,344
Income tax benefit/(expense)	B5	(14,447)	(1,073)	(178)	6,347	(9,351)	989	(1,041)	-	-	(9,403)
Profit/(Loss) after tax		33,140	2,446	14,505	(4,385)	45,706	7,369	-	(7,390)	5,256	50,941
Profit/(loss) after tax attributable to:											
Centuria Capital Limited		33,020	2,446	417	(13,710)	22,173	(2,562)	-	-	-	19,611
Centuria Capital Fund		120	-	14,088	9,325	23,533	9,931	-	-	(2,280)	31,184
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		33,140	2,446	14,505	(4,385)	45,706	7,369	-	-	(2,280)	50,795
Non-controlling interests		-	-	-	-	-	-	-	(7,390)	7,536	146
Profit/(loss) after tax		33,140	2,446	14,505	(4,385)	45,706	7,369	-	(7,390)	5,256	50,941

B2 Revenue

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

(a) Recognition and measurement

Property performance fees

The Group receives a performance fee for providing management services where the property fund outperforms a set IRR benchmark at the time the property is sold. Consideration is due upon successful sale of the investment property if the performance hurdles are satisfied.

In measuring the performance fees to be recognised each period, consideration is given to the facts and circumstances with respect to each investment property including external factors such as its current valuation, passage of time and outlook of the property market.

Performance fees are only recognised when they are deemed to be highly probable and the amount of the performance fees will not result in a significant reversal in future periods.

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

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

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

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

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

Development revenue

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

(b) Transaction price allocated to the remaining performance obligations

The following table includes revenue expected to be recognised in the future related to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

	Recognised in 2020	Balance of unrecognised performance obligations
	\$'000	\$'000
Property performance fees*	21,509	2,334
Development revenue	19,075	53,239
Management fees**	11,964	38,654

* The underlying property funds managed by the Group have accrued total performance fees of \$40,399,000 as at 30 June 2020. Based on the assumptions outlined in B2(a), the total estimated amount of performance fees available to the Group to recognise is \$32,642,000.

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

Business performance

B2 Revenue (continued)

(c) Transactions with related parties

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

	2020 \$	2019 \$
Management fees from Property Funds managed by Centuria	52,412,451	38,566,046
Distributions from Property Funds managed by Centuria	18,362,378	2,121,706
Property acquisition fees from Property Funds managed by Centuria	6,854,484	1,135,110
Performance fees from Property Funds managed by Centuria	21,508,771	22,522,000
Management fees from Over Fifty Guardian Friendly Society	4,474,097	3,574,208
Sales fees from Property Funds managed by Centuria	2,938,640	1,354,000
Interest income on loans to Property Funds managed by Centuria	229,297	36,958
Fees from Debt funds managed by Centuria	408,358	1,209,583
Distributions and interest from Debt Funds managed by Centuria	-	202,062
	107,188,476	70,721,673

(i) Terms and conditions of transactions with related parties

Investments in property funds and benefit funds held by certain directors and director-related entities are made on the same terms and conditions as all other investors and policyholders. Directors and director-related entities receive the same returns on these investments as all other investors and policyholders.

All such transactions are made on an arm's length basis at normal market prices and commercial terms.

The Group pays some expenses on behalf of related entities and receives a reimbursement for those payments.

Business performance

B3 Expenses

	2020 \$'000	2019 \$'000
Employee benefits expense	33,653	26,084
Consulting and professional fees	4,964	3,805
Property outgoings and fund expenses	6,601	7,992
Transaction costs	6,125	5,934
Administration fees	2,220	2,019
Cost of sales - development	17,320	848
Claims - discretionary participation features	29,209	24,985
Property management fees paid	2,810	1,336
Other expenses	9,198	7,229
Depreciation Expense	2,943	460
	115,043	80,692

(a) Transactions with key management personnel

(i) Transactions with directors

For transactions with directors, refer to details included in the Audited remuneration report on page 21. All such transactions are made in arms length transactions at normal market prices and on normal commercial terms.

(ii) Key management personnel compensation

The aggregate compensation paid to key management personnel of the Group is set out below:

	2020 \$	2019 \$
Short-term employee benefits	6,423,022	5,645,160
Post-employment benefits	128,467	120,390
Other long-term employment benefits	22,854	115,816
Share-based payments	1,113,613	857,992
	7,687,956	6,739,358

Detailed information on key management personnel is included in the Audited remuneration report.

B4 Finance costs

	2020 \$'000	2019 \$'000
Operating interest charges	11,595	13,003
Bank loans in Controlled Property Funds interest charges	3,090	4,636
Reverse mortgage facility interest charges	2,093	1,888
Loss/(gain) on derivatives on fair value hedges	4,667	(6,909)
(Gain)/loss on financial assets fair value hedges	(4,667)	6,909
Other finance costs	595	735
Finance lease interest	1,229	-
	18,602	20,262

Recognition and measurement

The Group's finance costs include:

- interest expense recognised using the effective interest method; and
- the net gain or loss on hedging instruments that is recognised in profit or loss.

Business performance

B5 Taxation

	2020 \$'000	2019 \$'000
Current tax expense in respect of the current year	14,310	2,542
Adjustments to current tax in relation to prior years	3,211	(514)
	<u>17,521</u>	<u>2,028</u>
Deferred tax (benefit)/expense relating to the origination and reversal of temporary differences	(13,687)	7,375
Adjustments to deferred tax in relation to prior years	(2,439)	-
Adjustments to deferred tax in relation to tax rate adjustments	(279)	-
Income tax expense	<u>1,116</u>	<u>9,403</u>

(a) Reconciliation of income tax expense

The prima facie income tax expense on profit before income tax reconciles to the income tax expense in the consolidated financial statements as follows:

	2020 \$'000	2019 \$'000
Profit before tax	23,203	60,344
Less: profit not subject to income tax	(2,283)	(27,211)
	<u>20,920</u>	<u>33,133</u>
Income tax expense calculated at 30%	6,276	9,940
Add/(deduct) tax effect of amounts which are not deductible/(assessable)		
Tax offset for franked dividends	(227)	(617)
Reversal of prior year equity accounted contribution	(6,000)	-
Non-allowable expenses - other	844	594
Utilisation of capital losses	(550)	-
Adjustments to income tax expense in relation to prior years	773	(514)
Income tax expense	<u>1,116</u>	<u>9,403</u>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period. There was no taxable income derived for New Zealand tax purposes for the year ending 30 June 2020 in relation to the Augusta acquisition.

(b) Current tax assets and liabilities

	2020 \$'000	2019 \$'000
Current tax assets/(liabilities) attributable to:		
Income tax receivable - NZ	755	-
Benefit Funds	(2,934)	(738)
Securityholders	(3,064)	(75)
	<u>(5,243)</u>	<u>(813)</u>

Business performance

B5 Taxation (continued)

(c) Movement of deferred tax balances

Financial year ended 30 June 2020	Opening balance \$'000	Movement \$'000	Closing balance \$'000
Deferred tax assets			
Provisions	1,560	604	2,164
Transaction costs	-	3,762	3,762
Capital losses	26,792	(1,664)	25,128
Revenue tax losses	4,021	(2,903)	1,118
Financial derivatives	-	2,757	2,757
Property held for development	-	3,964	3,964
Right of use asset/Lease liability	-	103	103
Equity accounted investment	-	523	523
	32,373	7,146	39,519
Deferred tax liabilities			
Indefinite life management rights	(27,638)	(5,615)	(33,253)
Accrued performance fees	(6,115)	4,617	(1,498)
Accrued income	(290)	-	(290)
Unrealised gain/(loss) on financial assets	(1,432)	1,051	(381)
Other	(138)	(265)	(403)
Transaction costs	(4,733)	4,733	-
Financial derivatives	(2,521)	2,521	-
	(42,867)	7,042	(35,825)
Financial year ended 30 June 2019	Opening balance \$'000	Movement \$'000	Closing balance \$'000
Deferred tax assets⁽ⁱ⁾			
Provisions	2,643	(1,083)	1,560
Transaction costs	346	(346)	-
Capital losses	26,814	(22)	26,792
Revenue tax losses	-	4,021	4,021
	29,803	2,570	32,373
Deferred tax liabilities⁽ⁱ⁾			
Indefinite life management rights	(27,638)	-	(27,638)
Accrued performance fees	-	(6,115)	(6,115)
Accrued income	(290)	-	(290)
Unrealised gain/(loss) on financial assets	(2,529)	1,097	(1,432)
Other	(6)	(132)	(138)
Financial derivatives	(2,459)	(62)	(2,521)
Transaction costs	-	(4,733)	(4,733)
	(32,922)	(9,945)	(42,867)

B5 Taxation (continued)

(c) Movement of deferred tax balances (continued)

(i): Net deferred tax assets and liabilities at 30 June 2020 of (\$10,494,000) liability have been presented as deferred tax assets of \$32,373,000 and deferred tax liabilities of (\$42,867,000). As at 30 June 2020, the deferred tax balances have been shown on a gross basis on the face of the balance sheet as the Group has tax balances which relate to both Australian and New Zealand tax jurisdictions.

Recognition and measurement

Income tax expense represents the sum of the tax currently payable and payable on a deferred basis.

(i) Current tax

The tax currently payable is based on taxable income for the year. Taxable income differs from profit as reported in the consolidated profit or loss because of items of income or expense that are assessable or deductible in other years as well as items that are never assessable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases.

Deferred tax liabilities are generally recognised for all assessable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and tax offsets, to the extent that it is probable that sufficient future taxable profits will be available to utilise them.

However, deferred tax assets and liabilities are not recognised for:

- assessable temporary differences that arise from the initial recognition of assets or liabilities in a transaction that is not a business combination which affects neither taxable income nor accounting profit;
- assessable temporary differences relating to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- assessable temporary differences arising from goodwill

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The applicable rates are 30% for deferred tax assets and liabilities arising to the Australian subsidiaries of the Company and 28% for deferred tax asset and liabilities arising to the New Zealand subsidiaries of the Company. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

(iii) Tax consolidation

The Company and all its wholly-owned Australian resident subsidiaries are part of a tax consolidated group under Australian taxation law. The Company is the head company of the tax consolidated group. Tax expense/benefit, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised in their separate financial statements using a 'standalone taxpayer' approach. Under the tax funding agreement between members of the tax consolidated group, amounts are recognised as payable to or receivable by each member in relation to the tax contribution amounts paid or payable between the Company and the members of the the tax consolidated group.

The Benefit Funds are part of the tax consolidated group, and they are allocated a share of the income tax liability attributable to Centuria Life Limited equal to the income tax liability that would have arisen to the Benefit Funds had they been stand-alone entities.

B5 Taxation (continued)

Recognition and measurement (continued)

(iii) Tax consolidation (continued)

Centuria Capital Fund ('CCF') and its sub-trusts are not part of the tax consolidated group. Under current Australian income tax legislation, trusts are not liable for income tax, provided their securityholders are presently entitled to the net (taxable) income of the trust including realised capital gains, each financial year.

Centuria Healthcare Pty Ltd ('Centuria Healthcare') is not a wholly-owned subsidiary of the Company at 30 June 2020. Centuria Healthcare has formed its own tax consolidated group with its wholly-owned subsidiaries at 30 June 2020. Centuria Healthcare is the head company of the Centuria Healthcare tax consolidated group. Tax expense/benefit, deferred tax assets and deferred tax liabilities arising from temporary differences of the members of the tax consolidated group are recognised in their separate financial statements using a 'standalone taxpayer' approach. As no tax funding agreement existed at 30 June 2020 between the members of the tax consolidated group, any amounts payable or receivable in relation to the tax contribution for each entity is recognised as a contribution of capital with the head company of the tax consolidated group.

The New Zealand tax resident subsidiaries of the Company are all stand-alone taxpayers from a New Zealand income tax perspective as they have not elected to form a consolidated group for New Zealand tax purposes.

(iv) Current and deferred tax for the period

Income taxes relating to items recognised directly in equity are recognised directly in equity and not in the statement of comprehensive income. In the case of a business combination, the tax effect is included in the accounting for the business combination.

B6 Earnings per security

	2020 Cents	2019 Cents
Basic (cents per stapled security)	4.7	14.2
Diluted (cents per stapled security)	4.6	13.2

The earnings used in the calculation of basic and diluted earnings per security is the profit for the year attributable to Centuria Capital Group securityholders as reported in the consolidated statement of comprehensive Income.

The weighted average number of ordinary securities used in the calculation of basic and diluted earnings per security is as follows:

	2020	2019
Weighted average number of ordinary securities (basic)	444,644,883	358,809,337
Weighted average number of ordinary securities (diluted) ⁽ⁱ⁾	460,824,844	383,381,274

⁽ⁱ⁾ The weighted average number of ordinary securities used in the calculation of diluted earnings per security is determined:

- as if 30 June 2020 was the end of the performance period of the grants of Rights under the LTI Plan. All Rights that would have vested if 30 June 2020 was the end of the performance period are deemed to have been issued at the start of the financial year; and
- as if 10,049,235 unexercised options with an exercise price of \$1.30 per option had been converted to ordinary securities at the start of the financial year.

Business performance

B7 Dividends and distributions

	2020		2019	
	Cents per security	Total \$'000	Cents per security	Total \$'000
Dividends/distributions paid during the year				
Final year-end dividend (fully franked)	0.50	1,918	1.00	3,048
Final year-end distribution	4.50	17,262	3.10	9,449
Interim dividend (fully franked)	1.70	7,630	0.85	3,260
Interim distribution	2.80	12,567	3.40	13,038
Special non-cash dividend/capital reallocation	-	-	7.80	30,000
Dividends/distributions declared during the year				
Final dividend (fully franked) ⁽ⁱ⁾	1.80	8,690	0.50	1,918
Final distribution ⁽ⁱ⁾	3.40	16,420	4.50	17,262
Dividends/distributions paid/declared to Centuria Capital Group securityholders ⁽ⁱⁱ⁾	14.70	64,487	21.15	77,975

⁽ⁱ⁾ The Group declared a final dividend/distribution in respect of the year ended 30 June 2020 of 5.2 cents per stapled security which included a fully franked dividend of 1.8 cents per share and a trust distribution of 3.4 cents per unit. The final dividend had a record date of 30 June 2020 and was paid on 8 July 2020. The total amount paid of \$25,110,000 (2019: \$19,180,000) has been provided for as a liability in these financial statements.

⁽ⁱⁱ⁾ In addition to the dividends and distributions paid to Group securityholders, the Group paid distributions of \$3,375,000 (2019: \$3,363,000) to external non-controlling interests.

(a) Franking credits

	2020 \$'000	2019 \$'000
Amount of franking credits available to shareholders of the Company for subsequent financial years ⁽ⁱ⁾	10,427	337

(i) Before taking into account the impact of the final dividend paid on 8 July 2020.

Of the franking credit balance of \$10,427,000 at 30 June 2020, \$5,769,000 relates to the Centuria Capital Limited tax consolidated group and \$4,658,000 relates to the Centuria Healthcare tax consolidated group.

C Assets and liabilities

C1 Segment balance sheet

As at 30 June 2020	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Corporate \$'000	Operating balance sheet \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory balance sheet \$'000
Assets										
Cash and cash equivalents	D2	24,632	6,985	50,707	67,137	149,461	22,585	2,412	-	174,458
Receivables	C2	51,188	1,780	7,744	4,818	65,530	4,192	88	(1,081)	68,729
Income tax receivable	B5	306	-	-	449	755	-	-	-	755
Financial assets	C3	-	-	464,191	58,904	523,095	289,359	-	(39,037)	773,417
Other assets		332	206	205	10,052	10,795	-	-	-	10,795
Investment properties held for sale		-	-	861	-	861	-	-	-	861
Property held for development	C5	-	-	31,295	-	31,295	-	-	-	31,295
Deferred tax assets	B5	29,092	104	-	10,323	39,519	-	-	-	39,519
Equity accounted investments	E1	-	-	32,955	-	32,955	-	-	-	32,955
Investment properties	C4	-	-	-	-	-	-	167,110	-	167,110
Right of use asset	C9	-	-	-	21,393	21,393	-	-	-	21,393
Intangible assets	C6	280,120	-	-	-	280,120	-	-	-	280,120
Total assets		385,670	9,075	587,958	173,076	1,155,779	316,136	169,610	(40,118)	1,601,407
Liabilities										
Payables	C7	4,417	2,345	20,749	43,145	70,656	2,220	4,737	(1,081)	76,532
Provisions		873	-	-	1,328	2,201	-	-	-	2,201
Borrowings	C8	-	-	167,291	13,017	180,308	-	85,920	(1,177)	265,051
Provision for income tax	B5	2,570	-	-	494	3,064	2,934	-	-	5,998
Interest rate swap at fair value		-	-	-	32,752	32,752	-	636	-	33,388
Benefit Funds policy holders' liability		-	-	-	-	-	311,535	-	-	311,535
Deferred tax liability	B5(c)	33,253	2	200	2,923	36,378	(553)	-	-	35,825
Call/Put option liability		-	-	-	17,167	17,167	-	-	-	17,167
Lease liability	C9	-	-	-	22,564	22,564	-	-	-	22,564
Total liabilities		41,113	2,347	188,240	133,390	365,090	316,136	91,293	(2,258)	770,261
Net assets		344,557	6,728	399,718	39,686	790,689	-	78,317	(37,860)	831,146

Assets and liabilities

C1 Segment balance sheet (continued)

As at 30 June 2019	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Corporate \$'000	Operating balance sheet \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory balance sheet \$'000
Assets										
Cash and cash equivalents	D2	13,193	6,289	62,817	5,460	87,759	32,123	4,791	-	124,673
Receivables	C2	37,940	947	22,181	4,658	65,726	5,979	(460)	(1,383)	69,862
Other assets		46	248	-	5,447	5,741	-	-	-	5,741
Financial assets	C3	-	-	58,540	53,720	112,260	283,794	-	(39,940)	356,114
Equity accounted investments	E1	-	-	360,400	-	360,400	26,313	-	-	386,713
Investment properties	C4	-	-	-	-	-	-	177,500	-	177,500
Intangible assets	C6	157,663	-	-	-	157,663	-	-	-	157,663
Total assets		208,842	7,484	503,938	69,285	789,549	348,209	181,831	(41,323)	1,278,266
Liabilities										
Payables	C7	2,540	469	20,060	12,599	35,668	2,962	4,985	(1,383)	42,232
Provisions		858	-	-	1,020	1,878	-	-	-	1,878
Borrowings	C8	-	-	202,607	8,194	210,801	-	94,309	(2,000)	303,110
Interest rate swap at fair value		-	-	-	28,083	28,083	-	731	-	28,814
Benefit Funds policy holders' liability		-	-	-	-	-	339,557	-	-	339,557
Provision for income tax		2,420	-	-	(2,345)	75	738	-	-	813
Deferred tax liability	B5(c)	7,817	(204)	5,615	(7,686)	5,542	4,952	-	-	10,494
Total liabilities		13,635	265	228,282	39,865	282,047	348,209	100,025	(3,383)	726,898
Net assets		195,207	7,219	275,656	29,420	507,502	-	81,806	(37,940)	551,368

Assets and liabilities

C2 Receivables

	Notes	2020 \$'000	2019 \$'000
Receivables from related parties	C2(a)	26,098	51,708
Other receivables		16,094	10,846
Contract assets - development		26,537	7,308
		68,729	69,862

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

(a) Receivables from related parties

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

	2020 \$	2019 \$
Performance fees owing from property funds managed by Centuria	9,385,830	22,296,386
Management fees owing from property funds managed by Centuria	7,294,799	4,324,197
Distribution receivable from Centuria Office REIT	3,484,055	2,814,461
Distribution receivable from Centuria Industrial REIT	3,182,678	2,958,601
Receivable from Over Fifty Guardian Friendly Society	1,104,355	435,035
Sales fees owing from property funds managed by Centuria	1,022,000	985,000
Recoverable expenses owing from property funds managed by Centuria	336,300	1,404,810
Distribution receivable from unlisted property funds managed by Centuria	288,220	111,092
Redemption funds receivable from Centuria Diversified Property Fund	-	16,000,000
Receivables from debt funds managed by Centuria	-	378,571
	26,098,237	51,708,153

Recognition and measurement

Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment. Due to the short-term nature of these financial rights, their carrying amounts are estimated to represent their fair values.

(i) Contract balances

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (trade receivables) and unbilled receivables (contract assets) on the consolidated statement of financial position.

In respect of the Social Affordable Housing Developments within the Property Funds Management segment, billing occurs subsequent to revenue recognition, resulting in contract assets.

Assets and liabilities

C3 Financial assets

	Notes	2020 \$'000	2019 \$'000
Investments in trusts, shares and other financial instruments at fair value		267,282	281,757
Investment in related party unit trusts at fair value	C3(a)	440,529	14,571
Loans receivable ⁽ⁱ⁾		6,702	6,066
Reverse mortgage receivables ⁽ⁱⁱ⁾		58,904	53,720
		773,417	356,114

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

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

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

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

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

Assets and liabilities

C3 Financial assets (continued)

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

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

Financial assets held by the Group	Fair value \$	2020 Units held	Ownership	Fair value \$	2019 Units held	Ownership
Centuria Industrial REIT*	215,809,359	68,078,662	17.01%	-	-	0%
Centuria Office REIT*	158,152,599	78,293,366	15.22%	-	-	0%
Centuria Diversified Property Fund**	-	-	0%	11,591,312	8,060,718	14.92%
Augusta Industrial Fund	17,232,050	19,000,000	10.00%	-	-	0%
Asset Plus Limited	9,705,148	30,528,933	18.85%	-	-	0%
Centuria Scarborough House Fund	97,694	102,836	0.22%	102,826	102,826	0.22%
Centuria Heathley Aged Care Property Fund No.1	5,748,988	5,513,559	9.21%	-	-	0%
Centuria Heathley Direct Medical Fund No.2	10,305,433	11,025,391	7.48%	-	-	0%
Centuria Life Goals - Various Funds	11,096	10,499	0%	-	-	0%
	<u>417,062,367</u>			<u>11,694,138</u>		
Financial assets held by the Benefit Funds						
Centuria SOP Fund	1,064,000	1,000,000	3.28%	1,026,800	1,000,000	3.28%
Centuria Office REIT*	18,956,484	9,384,398	1.82%	-	-	0%
Centuria Industrial REIT*	3,446,506	1,087,226	0.27%	-	-	0%
Centuria Iskia Development Fund	-	-	0%	1,850,000	1,850,000	15.83%
	<u>23,466,990</u>			<u>2,876,800</u>		
	<u>440,529,357</u>			<u>14,570,938</u>		

* These investments which were previously equity accounted are now held as related party investments for the year ended 30 June 2020. See Note E1 for details. Also, see below for a movement in the related party unit trust holdings during the financial year.

** Centuria Diversified Property Fund, previously held as related party investments is equity accounted for the year ended 30 June 2020. See Note E1 for details.

Assets and liabilities

C3 Financial assets (continued)

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

	30 June 2020 \$'000	30 June 2019 \$'000
Related party unit trusts carried at fair value through profit and loss		
Opening balance	14,571	228,109
Investment purchases	105,176	139,424
Acquisition of subsidiary	26,937	-
Return of investment	-	(5,895)
Disposal	(28,194)	(16,000)
Fair value (loss)/gain	(108,138)	2,693
Carrying value transferred from/(to) equity accounted investments	378,407	(333,760)
Fair value gain on discontinuing equity accounted investments	51,770	-
	440,529	14,571

Recognition and measurement

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value only.

Financial assets are classified as financial assets at FVTPL when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income.

Reverse mortgage loan receivables are financial assets that are recognised at FVTPL.

AASB 9 contains three principal classification categories for financial assets:

- measured at amortised cost;
- measured at fair value through other comprehensive income (FVOCI); and
- measured at FVTPL.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

C3 Financial assets (continued)

Recognition and measurement (continued)

(i) Financial assets at amortised cost

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the Expected Credit Loss ("ECL") model.

(ii) Recoverability of loans and receivables

At each reporting period, the Group 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 Group 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 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 Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group 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.

Given that COVID-19 is an ongoing situation, the Group has continued to analyse the age of outstanding receivable balances post balance sheet date and applied estimated percentages of recoverability to estimate ECL, 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.

(iii) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

Financial assets recognised at FVTPL include reverse mortgage loan receivables, reverse mortgage derivatives and investments in trusts.

Assets and liabilities

C4 Investment properties

	2020 \$'000	2019 \$'000
Opening balance	177,500	147,100
Acquisition of investment properties	15,116	-
Capital improvements and associated costs	4,660	1,726
Loss on fair value	(6,141)	(10,705)
Change in deferred rent and lease incentives	(525)	(621)
Sale of investment property	(23,500)	-
Transfer (to)/from investment properties held for sale	-	40,000
Closing balance ^	167,110	177,500

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$12,704,534 (30 June 2019: \$12,000,000).

Property	2020 \$'000	2019 \$'000	2020 Capitalisation rate %	2020 Discount rate %	2020 Valuer
111 St George Terrace, Perth WA	155,000	150,000	6.75%	7.00%	Colliers
City Centre Plaza, Rockhampton Qld	-	27,500	-%	-%	
8-10 Warneford St, Sandy Bay TAS	5,610	-	7.00%	7.50%	Directors
120 and 122 Spencer St, South Bunbury WA	6,500	-	6.50%	-%	Colliers
Total fair value	167,110	177,500			

C4 Investment properties (continued)

Key estimate and judgements

(a) Valuation techniques and significant unobservable inputs

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

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

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

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

The valuations were prepared by considering the following valuation methodologies:

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

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

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

Assets and liabilities

C4 Investment properties (continued)

(b) Fair value measurement

The fair value measurement of investment properties has been categorised as a Level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Significant unobservable inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input	Range of inputs FY20 \$428,000 psm to \$572,000 psm
Market rent	Increase	Decrease	6.5% to 7.0%
Capitalisation rate	Decrease	Increase	7.00% to 7.50%
Discount rate	Decrease	Increase	

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

	Fair value at 30 June 2020 \$000	Capitalisation Rate impact -0.25% \$000	+0.25% \$000
Investment properties	167,110	6,429	(5,960)

Given the unknown future impact that COVID-19 might have on the commercial real estate market and global market in general, coupled with a lower interest rate environment, a higher degree of judgement and considerations need to be made in assessing the significant inputs that determine property valuations. Management and external valuers acknowledge current valuations are subject to 'material valuation uncertainty' as a consequence of this. A reduction in transaction volumes has made direct comparison as a method more difficult. It is also challenging to determine the full impact on net passing income to the property for future periods as Management continues to negotiate rent relief agreements with tenants that fall within the Code. To date, there has been little evidence to suggest that capitalisation and discount rates have softened since the COVID-19 pandemic hit. As the COVID-19 pandemic progresses, Management will re-assess the valuation method to ensure appropriate considerations in relation to inputs used.

C5 Property held for development

Property	30 June 2020 \$'000	30 June 2019 \$'000
Opening balance	-	-
Acquisitions	1,295	-
Acquisition of subsidiary balance	30,000	-
	31,295	-

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

Property	Carrying value at 30 June 2020 \$'000	Impact of increase in costs to complete	Capitalisation rate impact
		-5.00% +5.00%	-0.50% +0.50%
54 Cook Street, Auckland	19,884	496 (496)	1,215 (1,309)
17-19 Man Street, Queenstown	10,116	1,776 (1,776)	1,496 (1,496)
27-29 Young St, West Gosford	1,295	- -	- -
	31,295	2,272 (2,272)	2,711 (2,805)

C5 Property held for development (continued)

(a) Valuation uncertainty

Valuation uncertainty has arisen from an inactive property investment market. A lack of transactional evidence means the only market inputs and metrics available to reliably estimate fair value relate to the market before the event occurred and the impact of COVID-19 on prices is unlikely to be known until the market stabilises. The valuations of the Group's development properties as at 30 June 2020 have therefore been prepared on the basis of significantly less certainty to highlight the difficulties in undertaking valuations in the current environment.

To reflect the impact of the pandemic on development property value, a number of adjustments have been made to ordinary valuation assumptions. These adjustments are dependent on a range of factors which include asset class, lease obligations, property characteristics, market evidence and the tenant's core business. In respect to development properties, the valuation has included additional holding costs to account for project delays, increased contingency allowances, additional allowances to account for estimated increases in construction costs when works recommence after a period of cessation.

The tourism industry has suffered significantly due to the impacts of COVID-19 which has created further uncertainty. Under alert levels 4 and 3 no domestic tourism was permitted as hotel operators were unable to trade. The international borders remain closed and there is no current decision on when they will reopen. When they do reopen it is expected to take a substantial period of time for international tourism to rebound back to historical levels pre COVID-19. The valuation assumptions adopted reflect this level of uncertainty not just at present but at the time the relevant developments are forecast to complete. The assumptions also considered the impact on the viability of the respective tenant and / or hotel operator in the future.

(b) Valuation techniques

No independent valuations were commissioned for the development properties as at 30 June 2020. The residual approach was adopted as the appropriate valuation method. The residual approach is used primarily for property which is undergoing, or is expected to undergo, redevelopment. Fair value is determined through the estimation of a gross realisation on completion of the redevelopment with deductions made for all costs associated with converting the property to its end use, including finance costs.

A key input into the residual approach is the cost required to complete the development. This cost information is based on internal budgets developed by the Group's development team, based on management's experience and knowledge of market conditions. The largest component of the project cost is the construction cost and this input is verified by independent quantity surveyors to ensure its accuracy. The valuations also include allowances that may be required to support net income in the early stages of a hotel development as it trades up to a stabilised level of activity.

The valuation outcome at 54 Cook Street, Auckland was also compared to alternate use scenarios including the conversion to office use, an alternative operator and an "as is" land and buildings value. Traditional valuation techniques such as the capitalisation approach and discounted cash flow method were not considered as appropriate as the development properties are under construction and not income producing.

Assets and liabilities

C6 Intangible assets

	2020 \$'000	2019 \$'000
Indefinite life management rights	112,182	92,128
Goodwill	167,938	65,535
	<u>280,120</u>	<u>157,663</u>

	2020 \$'000	2019 \$'000
Opening balance	157,663	157,663
Acquired goodwill	102,403	-
Acquired management rights	20,054	-
	<u>280,120</u>	<u>157,663</u>

Goodwill and management rights are solely attributable to the Property Funds Management cash generating unit with recoverability determined by a value in use calculation using profit and loss projections covering a five year period, with a terminal value determined after five years.

Recognition and measurement

(i) Indefinite life management rights

Management rights acquired in a business combination are initially measured at fair value and reflect the right to provide asset and fund management services in accordance with the management agreements.

(ii) 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.

(iii) Impairment

Goodwill and intangible assets that have an indefinite useful life are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash generating units or CGUs). Non-financial assets other than goodwill that were previously impaired are reviewed for possible reversal of the impairment at each reporting date.

C6 Intangible assets (continued)

Key estimates and judgements

The key assumptions used in the value in use calculations for the Property Funds Management cash-generating unit are as follows:

Revenue

Revenues in 2021 are based on the Board approved budget for 2021 and are assumed to increase at a rate of 7.5% (2019: 7.5%) per annum for years 2022-2025. The directors believe this is a prudent and achievable growth rate based on past experience.

Expenses

Expenses in 2021 are based on the budget for 2021 and are assumed to increase at a rate of 5.0% (2019: 5.0%) per annum for the years 2022-2025. The directors believe this is an appropriate growth rate based on past experience.

Discount rate

Discount rates are determined to calculate the present value of future cash flows. A pre-tax rate of 9.44% (2019: 9.53%) is applied to cash flow projections. In determining the appropriate discount rate, regard has been given to relevant market data as well as Group specific inputs.

Terminal growth rate

Beyond 2025, a growth rate of 3.0% (2019: 3.0%), in line with long term economic growth, has been applied to determine the terminal value of the asset.

Sensitivity to changes in assumptions

As at 30 June 2020, the estimated recoverable amount of intangibles including goodwill relating to the Property Funds Management cash-generating unit exceeded its carrying amount by \$322.4 million (2019: \$188.1million). The table below shows the key assumptions used in the value in use calculation and the amount by which each key assumption must change in isolation in order for the estimated recoverable amount to be equal to its carrying value.

	Revenue growth rate (average)	Pre-tax discount rate	Expenses growth rate
Assumptions used in value in use calculation	7.50%	9.44%	5.00%
Rate required for recoverable amount to equal carrying value	(2.45)%	17.50%	16.43%

The onset of the COVID-19 Pandemic introduces uncertainties with respect to assumptions used in estimating the recoverable amount of intangibles. Key assumptions such as revenue growth rate, the appropriate discount rate as well as the overall rate of growth in expenses maybe impacted due to these additional uncertainties. Despite the potential impact of the pandemic, the size and scale of the headroom of recoverable amount over carrying value of Goodwill as at 30 June 2020 as well as the sensitivity analysis completed during the year indicates that the Group's Goodwill balance continues to be recoverable.

Assets and liabilities

C7 Payables

	2020 \$'000	2019 \$'000
Sundry creditors ⁽ⁱ⁾	36,498	13,869
Dividend/distribution payable	25,110	19,180
Accrued expenses	14,924	9,183
	76,532	42,232

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

Recognition and measurement

Payables are recognised when the Group becomes obliged to make future payments resulting from the purchase of goods and services. Due to the short-term nature of these financial obligations, their carrying amounts are estimated to represent their fair values.

C8 Borrowings

	Notes	2020 \$'000	2019 \$'000
Fixed rate secured notes	C8(a)	93,823	128,000
Floating rate secured notes	C8(a)	75,000	75,000
Reverse mortgage bill facilities and notes	C8(b)	7,422	8,194
Secured facility - Augusta	C8(c)	5,610	-
Secured bank loans in Controlled Property Funds	C8(d)	85,920	94,309
Borrowing costs capitalised		(2,724)	(2,393)
		265,051	303,110

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

(a) Secured notes

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

	Classification	Coupon Rate	Due Date	2020 \$'000	2019 \$'000
Fixed					
Tranche 1	Current	7.0%	21 April 2021	30,708	83,000
Tranche 2	Non-current	6.5%	21 April 2023	45,000	45,000
Tranche 3	Non-current	5.0%	21 April 2024	18,115	-
				93,823	128,000
Variable					
Tranche 1	Current	BBSW +4.5%	21 April 2021	26,040	40,000
Tranche 2	Non-current	BBSW +4.25%	21 April 2023	35,000	35,000
Tranche 3	Non-current	BBSW +4.50%	21 April 2024	13,960	-
				75,000	75,000

Assets and liabilities

C8 Borrowings (continued)

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

As at 30 June 2020, the Group had \$7,422,000 (2019: \$8,194,000) non-recourse notes on issue to ANZ Bank, secured over the remaining reverse mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) due to mature on 30 September 2021.

The facility limit as at 30 June 2020 is \$8,200,000 (2019: \$9,100,000) and is reassessed every 6 months with a view to reducing the facility in line with the reduction in the reverse mortgage book. Under the facility agreement, surplus funds (being mortgages repaid (including interest) less taxes, administration expenses and any hedge payments) are required to be applied against the facility each month.

	2020 \$'000	2019 \$'000
Facility	8,200	9,100
Amount used at reporting date	(7,422)	(8,194)
Amount unused at reporting date	<u>778</u>	<u>906</u>

(c) Secured facility - Augusta

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

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

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

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

Fund	Current/non-current classification	Maturity date	Facility limit \$'000	Funds available \$'000	Draw down \$'000	Borrowing costs \$'000	Total \$'000
30 June 2020							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	6,644	83,356	(193)	83,163
Nexus Property Unit Trust	Non-current	4 December 2022	2,805	-	2,805	(48)	<u>2,757</u>
							<u>85,920</u>
30 June 2019							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	10,521	79,479	(107)	79,372
Centuria Retail Fund	Current	31 December 2019	14,938	-	14,938	(1)	<u>14,937</u>
							<u>94,309</u>

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

Assets and liabilities

C9 Right of use asset/Lease liability

The Group has six operating lease commitments being, office leases at Level 41 Chifley Square, Sydney NSW, Level 32, 120 Collins Street, Melbourne VIC, Level 2, 348 Edward Street, Brisbane QLD, 56 Clarence Street, Sydney NSW, 38-35 Gaunt Street Auckland NZ and 331-335 Devon Street East, New Plymouth NZ. The application of AASB 16 results in the recognition of a right of use asset along with a lease liability in the consolidated statement of financial position.

- the Chifley Square lease has a contract length of 10 years with a 5 year extension option and fixed annual rent increases of 4.0%;
- the Collins Street lease has a contract length of 5 years with fixed annual rent increases of 3.75%;
- the 348 Edward Street lease has a contract length of 5 years with fixed annual rent increases of 3.5%;
- the 56 Clarence Street lease has a contract length of 5 years with a 5 year extension option and fixed annual rent increases of 4.0%;
- the 38-35 Gaunt Street lease has a contract length of 8 years with fixed annual rent increases of 2.5%; and
- the 331-335 Devon Street East lease has a contract length of 3 years with a 3 year extension option and fixed annual rent increases based on CPI.

Information about leases for which the Group is a lessee is presented below.

	2020 \$'000	2019 \$'000
Right of use asset		
Opening balance	19,724	-
Additions of new leases	977	-
Depreciation on right of use asset	(1,961)	-
Acquisition of subsidiary balance	2,653	-
	<u>21,393</u>	<u>-</u>
Lease liability		
Opening balance	19,724	-
Additional lease liability from new lease	976	-
Cash lease payments	(2,018)	-
Finance lease interest	982	-
Acquisition of subsidiary balance	2,900	-
	<u>22,564</u>	<u>-</u>

Assets and liabilities

C10 Contributed equity

	2020		2019	
	No. of securities	\$'000	No. of securities	\$'000
Centuria Capital Limited				
Balance at beginning of the period	383,557,332	128,164	304,793,174	98,770
Equity settled share based payments expense	1,529,427	795	1,747,653	966
Stapled securities issued	124,911,723	49,845	77,016,505	29,425
Cost of equity raising	-	(1,655)	-	(997)
Balance at end of period	509,998,482	177,149	383,557,332	128,164

	2020		2019	
	No. of securities	\$'000	No. of securities	\$'000
Centuria Capital Fund (non-controlling interests)				
Balance at beginning of the period	383,557,332	343,438	304,793,174	244,930
Equity settled share based payments expense	1,529,427	-	1,747,653	-
Stapled securities issued	124,911,723	205,216	77,016,505	70,694
Cost of equity raising	-	(2,910)	-	(2,186)
Special non-cash dividend/capital reallocation ⁽ⁱ⁾	-	-	-	30,000
Balance at end of the period	509,998,482	545,744	383,557,332	343,438

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

On 29 June 2017, the Group issued 20,098,470 options to subscribe for stapled securities. The options have an exercise price of \$1.30 per stapled security and expire on 29 June 2022. Half of these options (10,049,235) were exercised on 31 December 2019.

⁽ⁱ⁾ On 29 June 2019, a special non-cash dividend was paid by Centuria Capital Limited of \$30,000,000 which was reinvested as capital into Centuria Capital Fund.

The Group has recognised the issuance of 27,021,424 stapled securities on 30 June 2020 in satisfaction of the scrip component of the offer consideration for the acquisition of a 40.66% interest in Augusta Capital Limited. The securities were issued at a price of \$1.8175 based on the listed security price of the Group at 30 June 2020.

Recognition and measurement

Incremental costs directly attributed to the issue of ordinary shares are accounted for as a deduction from equity, net of any tax effects.

C11 Commitments and contingencies

Australian Guarantees

The Group has provided bank guarantees of \$3,279,301 for commercial leases with respect to its Sydney and Melbourne office premises. These bank guarantees are cash collateralised.

The above guarantees are issued in respect of the Group and do not constitute an additional liability to those already existing in interest bearing liabilities on the statement of financial position.

Construction Contracts

As at 30 June 2020, the Group was committed to expenditure of \$44,781,265 (excluding GST) in relation to construction contracts in relation to its social affordable housing developments.

New Zealand Guarantees

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

Capital Commitments

At 30 June 2020 the Group has capital commitments of NZ\$1.3 million. In addition, the Company has committed up to a further NZ\$12.8 million of capital over approximately the next 10 years in its joint venture partnership with Ninety Four Feet.

Contingent Liabilities

The Group's subsidiary, Augusta Funds Management Limited, entered in an agreement to purchase the Albany Lifestyle Centre in May 2019, and paid a NZ\$4.525 million deposit. The vendor of the Albany Lifestyle Centre cancelled the acquisition contract on 20 April 2020. As a result, the NZ\$4.525 million deposit funded by Augusta has been forfeited to the vendor. While Augusta is not the counterparty to the acquisition contract, there is a risk that Augusta (or its associated entities) may be subject to further claims in relation to the proposed acquisition. This could include claims for loss of value, interest and other costs, less ongoing rental income received by the vendor and the deposit funded by Augusta.

The directors of the Group are not aware of any other contingent liabilities in relation to the Group, other than those disclosed in the financial statements, which should be brought to the attention of securityholders as at the date of completion of this report.

D Cash flows

D1 Operating segment cash flows ⁽ⁱ⁾

For the year ended 30 June 2020

	2020 \$'000	2019 \$'000
Cash flows from operating activities		
Management fees received	82,127	55,406
Performance fees received	37,231	1,361
Distributions received	29,938	27,246
Interest received	988	1,509
Other income received	823	-
Payments to suppliers and employees	(82,102)	(56,420)
Income tax paid	(8,581)	(242)
Interest paid	(9,889)	(11,261)
Net cash provided by operating activities	50,535	17,599
Cash flows from investing activities		
Proceeds from sale of related party investments	53,554	3,552
Purchase of investments in related parties	(122,688)	(173,487)
Repayment of loans by related parties	11,800	5,865
Loans to related parties for purchase of properties	(11,800)	-
Purchase of equity accounted investments	(12,977)	(23,960)
Purchase of other investments	(6,115)	(72,262)
Payments for plant and equipment	(522)	(3,713)
Cash balance on acquisition of subsidiaries	15,773	-
Purchase of subsidiaries	(40,852)	-
Purchase of Property Held for Development	(1,295)	-
Collections from reverse mortgage holders	1,646	952
Proceeds from sale of investments	-	136,899
Purchase of equity accounted investments	-	-
Cash contribution to related party	-	(20,000)
Loans provided to other parties	-	(5,925)
Net cash used in investing activities	(113,476)	(152,079)
Cash flows from financing activities		
Proceeds from issue of securities	205,736	100,119
Equity raising costs paid	(4,317)	(3,179)
Proceeds from borrowings	-	80,000
Repayment of borrowings	(35,771)	(235)
Capitalised borrowing costs paid	(1,628)	(1,744)
Distributions paid	(39,377)	(29,111)
Net cash provided by financing activities	124,643	145,850
Net increase in operating cash and cash equivalents	61,702	11,370
Cash and cash equivalents at the beginning of the period	87,759	76,389
Cash and cash equivalents at the end of the period	149,461	87,759

(i) The operating segment cash flows support the segment note disclosures of the Group and provide details in relation to the operating segment cash flows performance of the Group. The operating segment cash flows exclude the impact of cash flows attributable to Benefit Funds and Controlled Property Funds. Refer to page 28 for the full statutory cash flow statement of the Group.

Cash flows

D2 Cash and cash equivalents

Included in cash and cash equivalents of \$174,458,000 is \$23,621,773 (2019: \$39,359,000) relating to amounts held by Senex Warehouse Trust No.1 and the Benefit Funds which is not readily available for use by the Group.

D3 Reconciliation of profit for the period to net cash flows from operating activities

	2020 \$'000	2019 \$'000
Profit for the year	22,087	50,941
Adjustments for:		
Depreciation and amortisation	2,943	460
Share-based payment expense	2,014	966
Amortisation of borrowing costs	995	799
Fair value movement of financial assets	42,032	(8,434)
Interest revenue from reverse mortgages	(2,631)	(2,530)
Interest expense reverse mortgage facility	1,126	1,495
Equity accounted profit in excess of distribution paid	(1,978)	(10,415)
Unrealised loss on investment properties	6,260	10,695
Amortisation of lease incentives	1,665	1,602
Costs paid for debt issuance	1,311	1,744
Finance lease interest	1,229	-
Cash paid on lease liability	(2,366)	-
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Receivables	(3,571)	(30,954)
Prepayments	(349)	(452)
Deferred tax assets	(12,926)	-
Increase/(decrease) in liabilities:		
Other payables	(6,162)	(2,699)
Tax provision	4,963	975
Deferred tax liability	510	7,375
Provisions	3,998	1,454
Policyholder liability	(28,024)	(10,118)
Net cash flows provided by operating activities	33,126	12,904

Recognition and measurement

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in the statement of financial position.

E Group Structure

E1 Interests in associates and joint ventures

During the year, the Group's investment in Centuria Office REIT (COF) and Centuria Industrial REIT (CIP) reduced below 20% and the Group no longer had significant influence over COF and CIP. As a result, these investments which were previously accounted for as equity accounted investments using the equity method, are now recognised as financial assets at fair value as at 30 June 2020.

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

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

Name of entity	% of ownership interest		Principal activity	Quoted fair value		Carrying amount	
	30 June 2020	30 June 2019		30 June 2020	30 June 2019	30 June 2020	30 June 2019
	%	%		\$'000	\$'000	\$'000	\$'000
QT Lakeview Developments Limited	25.00	0.00	Property investment	1,125	-	1,125	-
Centuria Office REIT	0.00	20.76	Property investment	-	207,104	-	203,435
Centuria Industrial REIT	0.00	24.15	Property investment	-	200,138	-	183,278
Centuria Diversified Property Fund	22.68	0.00	Property investment	31,830	-	31,830	-
Total equity accounted investments				32,955	407,242	32,955	386,713

The Group equity accounted Augusta Capital Limited from 12 May 2020 to 30 June 2020. On 30 June 2020, the Group consolidated Augusta Capital Limited. Refer to note E2(b).

Group Structure

E1 Interests in associates and joint ventures (continued)

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

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2018 to 30 June 2019.

	Centuria Office REIT \$'000	Centuria Industrial REIT \$'000	Total \$'000
Movements in carrying amounts of equity accounted investments			
Opening balance as at 1 July 2018	-	-	-
Carrying value transferred from financial assets	179,736	154,024	333,760
Investment	20,000	23,960	43,960
Share of net profit after tax	13,369	16,844	30,213
Distributions received/receivable	(9,670)	(11,550)	(21,220)
Closing balance as at 30 June 2019	203,435	183,278	386,713

E1 Interests in associates and joint ventures (continued)

(a) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associates and not the Group's share of those amounts.

	QT Lakeview Developments Pty Ltd		Centuria Diversified Property Fund		Centuria Office Fund		Centuria Industrial REIT	
Summarised balance sheet (excluding intangibles)	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Cash and cash equivalents	-	-	18,013	-	-	17,546	-	9,348
Investment properties held for sale	-	-	-	-	-	78,500	-	11,400
Other current assets	-	-	11,633	-	-	5,544	-	9,144
Total current assets	-	-	29,646	-	-	101,590	-	29,892
Other non-current assets	4,501	-	166,588	-	-	1,321,475	-	1,209,850
Total tangible non-current assets	4,501	-	166,588	-	-	1,321,475	-	1,209,850
Other current liabilities	-	-	3,812	-	-	30,451	-	28,724
Total current liabilities	-	-	3,812	-	-	30,451	-	28,724
Borrowings	-	-	64,988	-	-	497,222	-	468,431
Other non-current liabilities	-	-	351	-	-	7,180	-	3,541
Total non-current liabilities	-	-	65,339	-	-	504,402	-	471,972
Net tangible assets	4,501	-	127,083	-	-	888,212	-	739,046
Group share in %	25.00%		22.68%			20.76%		24.15%
Group share	1,125	-	28,822	-	-	184,392	-	178,544
Goodwill	-	-	3,008	-	-	19,043	-	4,734
Carrying amount	1,125	-	31,830	-	-	203,435	-	183,278

E1 Interests in associates and joint ventures (continued)

(a) Summarised financial information for associates and joint ventures (continued)

	QT Lakeview Developments Limited		Centuria Diversified Property Fund		Centuria Office REIT		Centuria Industrial REIT	
Summarised statement of comprehensive income	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	-	-	10,919	-	-	108,859	-	93,863
Interest income	-	-	24	-	-	334	-	195
Net (loss)/gain on fair value of investment properties and other investments	-	-	(10,919)	-	-	7,143	-	53,808
Finance costs	-	-	(1,233)	-	-	(22,110)	-	(21,496)
Other expenses	-	-	(3,699)	-	-	(33,910)	-	(34,563)
Other income	-	-	-	-	-	8	-	602
Loss on fair value of derivative financial instruments	-	-	(351)	-	-	(6,752)	-	(3,581)
(Loss)/profit from continuing operations	-	-	(5,259)	-	-	53,572	-	88,828
(Loss)/profit for the year	-	-	(5,259)	-	-	53,572	-	88,828
Other comprehensive income	-	-	-	-	-	-	-	-
Total comprehensive (loss)/income	-	-	(5,259)	-	-	53,572	-	88,828

E2 Business combination

(a) Centuria Healthcare Pty Limited acquisition

On 20 May 2019, the Group announced the acquisition of a 63.06% economic interest and 50.00% voting interest in Centuria Healthcare Pty Limited (Centuria Healthcare) (formerly Heathley Limited) for cash consideration of \$24,439,000. Completion of the acquisition was subject to Centuria Healthcare shareholders convening a meeting and voting to approve the transaction in addition to other items. This vote was passed during a meeting held on 19 July 2019 and the transaction was subsequently completed on 5 September 2019.

The Group is taken to have gained control over Centuria Healthcare from the time the shareholder vote was passed on the basis that the acquisition was considered as substantially complete at that time.

The purchase of Centuria Healthcare is part of the Group's strategy of growing its real estate funds management platform and establishing a presence in the growing healthcare sector.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	\$'000
Cash	24,439
Contingent consideration - call/put option liability(i)	16,356
Total consideration transferred	<u>40,795</u>

(i) Contingent consideration

The Call/Put option liability relates to a simultaneous call option and put option over the remaining shares in Centuria Healthcare which are held by existing management shareholders of Centuria Healthcare. The call option is in favour of the Group, whilst the put option is in favour of the management shareholders. The options are exercisable five years from the date of completion of the initial acquisition of the 63% economic interest in Centuria Healthcare, with an exercise price equal to 10x EBIT for the last financial year prior to exercise of the option plus Net Tangible Assets.

The Group has applied the anticipated-acquisition method in accounting for the business combination as the Group has the right and the obligation to purchase any remaining non-controlling interest under a put/call arrangement.

Under the anticipated acquisition method, the interests of the non-controlling shareholders are recognised by the Group as a financial liability relating to the purchase of those interests. The recognition of the financial liability implies that the interests subject to the purchase are deemed to have already been acquired, meaning no non-controlling or outside equity interests are recognised. The corresponding interests are therefore presented as already owned by the Group even though the non-controlling shareholders retain legal ownership. The initial measurement of the fair value of the financial liability recognised by the Group forms part of the contingent consideration for the acquisition.

Identifiable assets acquired and liabilities assumed

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value \$'000
Cash and cash equivalents	4,140
Receivables	6,188
Financial assets	120
Other assets	180
Payables	(6,071)
Provisions	(1,036)
Provision for income tax	105
Deferred tax liabilities	3,154
Total identifiable net assets acquired	<u>6,780</u>

E2 Business combination (continued)

(a) Centuria Healthcare Pty Limited acquisition (continued)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	\$'000
Consideration transferred	40,795
Fair value of identifiable net assets	<u>(6,780)</u>
Goodwill	<u>34,015</u>

The goodwill is attributable mainly to Centuria Healthcare's work force and business relationships which the Group will utilise to establish a platform for healthcare real estate from which to grow. None of the goodwill recognised is expected to be deductible for tax purposes.

Transaction related costs

Transaction related costs of \$546,000 were accrued in the profit and loss for the year ended 30 June 2019 and an additional \$46,000 were expensed in the profit and loss for the year ended 30 June 2020.

(b) Augusta Capital Limited acquisition

On 5 May 2020, the Group, through its wholly owned subsidiary Centuria New Zealand Holdings Limited, acquired a 10.32% interest in Augusta Capital Limited (Augusta). The Group acquired a further 10.16% interest in Augusta on 12 May 2020 which increased its total interest to 20.48%. At that time the Group was taken to have significant influence over Augusta and recognised its investment in Augusta under the equity method.

The Group acquired a further 2.79% interest in Augusta on 26 May 2020, increasing its total interest to 23.27%.

Subsequently, on 29 June 2020, the Group made a takeover offer to Augusta shareholders to acquire all of the Augusta shares that it did not already own (the Offer). As a result of the Offer, the Group acquired a further 40.66% of Augusta shares on 30 June 2020 (acquisition date), increasing its total interest to 63.92% and gaining control of Augusta.

The initial 23.27% interest was purchased for consideration of NZ\$0.55 per Augusta share which was funded with existing cash reserves of the Group. The acquisition of the additional 40.66% interest was subject to the Offer consideration which comprised NZ\$0.22 cash plus the issuance of 0.392 CNI stapled securities for each Augusta share. The cash component of the Offer consideration was funded with existing cash reserves of the Group.

The purchase of Augusta is part of the Group's strategy of growing its real estate funds management platform, diversifying its platform geographically, and increasing recurring revenues through additional co-investment in managed funds.

For the year ended 30 June 2020, Augusta did not contribute any revenue or profit to the Group's results. This is because the Group did not gain control of Augusta until 30 June 2020.

Consideration transferred

The following table summarises the acquisition date fair value of each major class of consideration transferred.

	AUD \$'000
Payable (i)	14,179
Equity (Company shares issued) (ii)	7,735
Equity (Fund units issued) (ii)	<u>41,376</u>
Total consideration transferred	<u>63,290</u>

(i) Payable

At 30 June 2020, the Group had not yet paid the cash component of the Offer consideration. The Payable represents the Australian dollar equivalent of the Group's obligation to pay NZ\$0.22 cash per Augusta share to each Augusta shareholder who had accepted the Offer as at 30 June 2020.

E2 Business combination (continued)

(b) Augusta Capital Limited acquisition (continued)

(ii) Equity issued

The fair value of the ordinary shares issued by the Company and ordinary units issued by the Fund is based on the listed security price of CNL at 30 June 2020 of A\$1.8175 and attributed 15.75% to Company shares and 84.25% to Fund units.

Identifiable assets acquired and liabilities assumed

The assets and liabilities recognised as a result of the acquisition are as follows:

	Fair value AUD \$'000
Cash and cash equivalents	11,633
Receivables	4,659
Financial assets	26,937
Income tax receivable	755
Other assets	1,129
Deferred tax assets	3,908
Equity accounted investments	1,125
Investment properties - held for sale	861
Intangible assets - indefinite life management rights	20,054
Property held for development	29,999
Right of use asset	2,653
Payables	(2,309)
Deferred tax liabilities	(5,615)
Borrowings	(5,610)
Lease liability	(2,900)
Total identifiable net assets acquired	87,279

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	AUD \$'000
Consideration transferred	63,290
Non-controlling interest, based on the acquisition date fair value (i)	56,159
Fair value of pre-existing interests in Augusta (ii)	36,218
Fair value of identifiable net assets	(87,279)
Goodwill (iii)	68,388

(i) Non-controlling interest

The non-controlling interest reflects the portion of Augusta shares that had not been acquired by the Group at the acquisition date and represents the interests that continue to be held by existing Augusta shareholders at the acquisition date fair value.

(ii) Remeasurement of pre-existing interest

As the business combination was achieved in stages, the Group is required to remeasure its equity interests in Augusta held before the acquisition date at their acquisition date fair value and recognise the resulting gain in profit or loss.

(iii) Goodwill

The goodwill is attributable mainly to Augusta's work force and established business practices and relationships which will form the basis for the Group's New Zealand platform from which to grow. None of the goodwill recognised is expected to be deductible for tax purposes.

Transaction related costs

Transaction related costs of \$5,236,000 were incurred for year in respect of the acquisition of Augusta, of which \$4,601,000 were expensed in the profit and loss and \$635,000 were recorded against equity.

Group Structure

E3 Interests in material subsidiaries

The Group's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have issued capital consisting solely of ordinary shares or units that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The subsidiaries of the Group were incorporated in the following jurisdictions Australia, New Zealand and Singapore with principal places of business corresponding with the respective geographic jurisdictions. The parent entity of the Group is Centuria Capital Limited.

	Ownership interest %	
	30 June 2020	30 June 2019
Australian subsidiaries	0% (100% NCI)	0% (100% NCI)
Centuria Capital Fund (refer to Note A1)		
A.C.N. 062 671 872 Pty Limited	100%	100%
Belmont Road Development Pty Limited	100%	100%
Belmont Road Management Pty Limited	100%	100%
Centuria Canberra No. 3 Pty Limited	100%	100%
Centuria Capital No. 2 Fund	100%	100%
Centuria Capital No. 2 Industrial Fund	100%	100%
Centuria Capital No. 2 Office Fund	100%	100%
Centuria Capital No. 3 Fund	100%	100%
Centuria Capital No. 4 Fund	100%	100%
Centuria Capital No. 5 Fund	100%	100%
Centuria Capital No. 6 Fund	100%	100%
Centuria Capital No. 7 Fund	100%	100%
Centuria Capital Health Fund	100%	100%
Centuria Developments (Cardiff) Pty Limited	100%	100%
Centuria Developments (Mann Street) Pty Limited	100%	100%
Centuria Developments (Mayfield) Pty Limited	100%	100%
Centuria Developments (Young Street) Pty Limited	100%	100%
Centuria Developments Pty Limited	100%	100%
Centuria Employee Share Fund Pty Ltd	100%	100%
Centuria Finance Pty Ltd	100%	100%
Centuria Funds Management Limited	100%	100%
Centuria Industrial Property Services Pty Ltd	100%	100%
Centuria Institutional Investments No. 3 Pty Limited	100%	100%
Centuria Investment Holdings Pty Limited	100%	100%
Centuria Investment Management (CDPF) Pty Ltd	100%	100%
Centuria Investment Services Pty Limited	100%	100%
Centuria Lane Cove Debt Fund	100%	100%
Centuria Life Limited	100%	100%
Centuria Nominees No. 3 Pty Limited	100%	100%
Centuria Platform Investments Pty Limited	100%	100%
Centuria Properties No. 3 Limited	100%	100%
Centuria Property Funds Limited	100%	100%
Centuria Property Funds No. 2 Limited	100%	100%
Centuria Property Services Pty Limited	100%	100%
Centuria SubCo Pty Limited	100%	100%
Over Fifty Capital Pty Ltd	100%	100%
Over Fifty Funds Management Pty Ltd	100%	100%
Over Fifty Investments Pty Ltd	100%	100%
Over Fifty Seniors Equity Release Pty Ltd	100%	100%
Senex Warehouse Trust No. 1	100%	100%
Centuria Healthcare Pty Ltd	63%	0%
80 Grenfell Street Pty Ltd	50%	0%
Centuria Healthcare Property Fund	100%	0%
Nexus Property Unit Trust	59%	0%
Centuria Retail Fund	0%	50%
Centuria 111 St Georges Terrace Fund	42%	42%
Centuria Investment Holdings No. 4 Pty Limited	100%	100%
Centuria Investment Management (CMA) Pty Limited	100%	0%

Group Structure

E3 Interests in material subsidiaries (continued)

	Ownership interest %	
	30 June 2020	30 June 2019
Australian subsidiaries		
Centuria Investment Management (CMA) No. 2 Pty Limited	100%	0%
Centuria 61-67 Wyatt St Pty Limited	100%	0%
Centuria 80 Flinders Street Pty Limited	100%	0%
Fromnex Pty Limited	50%	0%
Centuria Business Services Pty Limited	100%	0%
Ahnco Pty Ltd*	63%	0%
Centuria Healthcare Asset Management Limited*	63%	0%
Centuria Healthcare Asset Management Nominee 1 Pty Ltd*	63%	0%
Heathley Developments Limited*	63%	0%
Centuria Healthcare Energy Company Pty Ltd*	63%	0%
Heathley Finance Company Pty Ltd*	63%	0%
Centuria Healthcare Funds Distributions Limited*	63%	0%
Heathley Funds Management Pty Ltd*	63%	0%
Centuria Healthcare Investments Pty Ltd*	63%	0%
Heathley Investor Services Pty Limited*	63%	0%
Heathley Nominees Pty Ltd*	63%	0%
Heathley Property Services Pty Limited*	63%	0%
New Zealand Subsidiaries		
Augusta Capital Limited	64%	0%
Augusta Funds Management Limited	64%	0%
Augusta Property Holdco Limited	64%	0%
Augusta Lake View Holdings Limited	64%	0%
Centuria New Zealand Holdings Limited	100%	0%
Singapore subsidiaries		
Centuria Capital Private Limited (Singapore)	100%	100%

*: The ownership percentage outlined above for these subsidiaries reflects the Group's economic ownership. The Group holds a 50% voting right in each of these subsidiaries.

Recognition and measurement

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The Company is required by AASB 10 Consolidated Financial Statements to recognise the assets, liabilities, income, expenses and equity of the benefit funds of its subsidiary, Centuria Life Limited (the "Benefit Funds"). The assets and liabilities of the Benefit Funds do not impact the net profit after tax or the equity attributable to the securityholders of the Company and the securityholders of the Company have no rights over the assets and liabilities held in the Benefit Funds.

In order to reflect the assets and liabilities pertaining to the Benefit Funds being attributable to policyholders (as approved to securityholders) an equal and offsetting policyholder liability is recognised on consolidation. In addition, on consolidation of the various income and expenses attributable to the Benefit Funds an equal and opposite net change in policyholder liabilities is recorded in the statement of comprehensive income.

The Company has majority representation on the Board of the Over Fifty Guardian Friendly Society Limited (Guardian). However, as Guardian is a mutual organisation, the Company has no legal rights to Guardian's net assets, nor does it derive any benefit from exercising its power and therefore does not control Guardian.

E4 Parent entity disclosure

As at, and throughout the current and previous financial year, the parent entity of the Group was Centuria Capital Limited.

	2020 \$'000	2019 \$'000
Result of parent entity		
Profit or loss for the year	22,152	43,386
Total comprehensive income for the year	22,152	43,386
Financial position of parent entity at year end		
Total assets	212,554	180,847
Total liabilities	(26,207)	(50,557)
Net assets	186,347	130,290

The parent entity presents its assets and liabilities in order of liquidity. The assets of the parent entity mainly consist of cash, short term receivables, investments in subsidiaries and deferred tax assets. The liabilities of the parent entity mainly consist of short term payables.

Total equity of the parent entity comprising of:

Share capital	177,149	128,143
Share-based incentive reserve	3,322	2,102
Retained earnings/(loss)	5,876	45
Total equity	186,347	130,290

(a) Guarantees entered into by the parent entity

The parent entity has, in the normal course of business, entered into guarantees in relation to the debts of its subsidiaries during the financial year.

(b) Commitments and contingent liabilities of the parent entity

The parent entity has bank guarantees of \$3,279,301 for commercial leases with respect to its Sydney and Melbourne office premises. These bank guarantees are cash collateralised.

The above guarantees are issued in respect of the parent entity and do not constitute an additional liability to those already existing in interest bearing liabilities on the statement of financial position.

The directors of the Company are not aware of any other contingent liabilities in relation to the parent entity, other than those disclosed in the financial statements.

F Other

F1 Share-based payment arrangements

(a) LTI Plan details

The Company has an Executive Incentive Plan ("LTI Plan") which forms a key element of the Company's incentive and retention strategy for senior executives under which Performance Rights ("Rights") are issued.

Each employee receives ordinary securities of the Group on vesting of the performance rights. No amounts are paid or payable by the recipient on receipt of the performance rights or on vesting. The performance rights carry neither rights to dividends nor voting rights prior to vesting.

It is expected that future annual grants of performance rights will be made, subject to the Board's determination of the overall performance of the Group and market conditions. The vesting of any performance rights awarded will be subject to attainment of appropriate performance hurdles and on the basis of continuing employment with the Group.

Further details of the LTI Plan are included in the Audited remuneration report from page 11 to page 21.

	2020 \$	2019 \$
Performance rights outstanding at the beginning of the year	5,727,134	5,368,687
Performance rights granted during the year	2,892,669	2,276,559
Performance rights lapsed during the year	-	(288,868)
Performance rights vested during the year	(1,529,430)	(1,629,244)
Performance rights outstanding at the end of the year	<u>7,090,373</u>	<u>5,727,134</u>

The performance objectives for 1,921,148 of the performance rights issued under Tranche 5 were met in full at 30 June 2020. As a result, these rights will vest on 12 August 2020.

(b) Measurement of fair values

The fair value of the rights was calculated using a binomial tree valuation methodology for the Rights with non-market vesting conditions and a Monte-Carlo simulation for the Rights with market vesting conditions.

The inputs used in the measurement of the fair values at grant date of the rights were as follows:

	Tranche 5	Tranche 6	Tranche 7
Expected vesting date	12 August 2020	31 August 2021	31 August 2022
Share price at the grant date	\$1.46	\$1.32	\$2.13
Expected life	2.8 years	2.6 years	2.9 years
Volatility	20%	18%	18%
Risk free interest rate	1.96%	1.75%	0.76%
Dividend yield	5.7%	6.5%	4.5%

The following table sets out the fair value of the rights at the respective grant date:

Performance Condition	Tranche 5	Tranche 6	Tranche 7
Growth in FUM	\$1.24	\$1.11	\$1.87
Absolute TSR	\$0.62	\$0.19	\$0.79

During the year, share based payment expenses were recognised of \$1,737,023 (2019: \$1,172,048).

F1 Share-based payment arrangements (continued)

Recognition and measurement

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates with respect to non-market vesting conditions, if any, is recognised in profit for the year such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

F2 Guarantees to Benefit Fund policyholders

Centuria Life Limited ("CLL") provides a guarantee to policyholders of two of its Benefit Funds, Centuria Capital Guaranteed Bond Fund and Centuria Income Accumulation Fund (collectively "Funds") as described below.

If CLL is required under the bond rules to pay policy benefits to a policy owner as a consequence of the termination of a bond or the maturity or surrender of a policy, and CLL determines that the sums to be paid to the policy owner from the bonds shall be less than the amounts standing to the credit of the relevant accumulation account balance (or in the case of a partial surrender, the relevant proportion of the accumulation account balance), CLL guarantees to take all action within its control, including making payment from its management fund to the policy owner to ensure that the total sums received by the policy owner as a consequence of the termination, maturity or surrender equal the relevant accumulation account balance, or in the case of a partial surrender, the relevant proportion thereof.

No provision has been raised in respect of these guarantees at this time for the following reasons:

- The Funds follow an investment strategy that is appropriate for the liabilities of the Funds. The Funds cannot alter their investment strategy without the approval of the members and APRA, following a report from the appointed actuary;
- The Funds must meet the capital adequacy standards of APRA which results in additional reserves being held within the Funds to enable the Funds to withstand a "shock" in the market value of assets. If the Funds can withstand a shock in asset values and still meet their liabilities from their own reserves, then this further reduces the likelihood of the Funds calling on the guarantee provided; and
- CLL also continues to meet the ongoing capital requirements set by APRA.

F3 Financial instruments

(a) Management of financial instruments

The Board is ultimately responsible for the Risk Management Framework of the Group.

The Group employs a cascading approach to managing risk, facilitated through delegation to specialist committees and individuals within the Group.

The Group is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Group's risk management and investment policies, approved by the Board, seek to minimise the potential adverse effects of these risks on the Group's financial performance. These policies may include the use of certain financial derivative instruments.

CLL has also established an Investment Committee. The Investment Committee's function is to manage and oversee the Benefit Fund investments in accordance with the investment objectives and framework. Specifically, it has responsibility for setting and reviewing strategic asset allocations, reviewing investment performance, reviewing investment policy, monitoring and reporting on the performance of the investment risk management policy and performing risk management procedures in respect of the investments.

F3 Financial instruments (continued)

(a) Management of financial instruments (continued)

From time to time, the Group outsources certain parts of the investment management of the Benefit Funds to specialist investment managers including co-ordinating access to domestic and international financial markets, and managing the financial risks relating to the operations of the Group in accordance with an investment mandate set out in the Group's constitution and the Benefit Funds' product disclosure statements. The Benefit Funds' investment mandates are to invest in equities and fixed interest securities via unit trusts, discount securities and may also invest in derivative instruments such as futures and options.

The Group uses interest rate swaps to manage interest rate risk and not for speculative purposes in any situation. Hedging is put in place where the Group is either seeking to minimise or eliminate cash-flow variability, i.e. converting variable rates to fixed rates, or changes in the fair values of underlying assets or liabilities, i.e. to convert fixed rates to variable rates.

Derivative financial instruments of the Benefit Funds, consolidated into the financial statements of the Group under AASB 10 Consolidated Financial Statements, are used only for hedging factual or anticipated exposures relating to investments. The use of financial derivatives in respect of Benefit Funds is governed by the Benefit Funds' investment policies, which provide written principles on the use of financial derivatives.

(b) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity capital. This overall strategy remains unchanged from the prior year.

The Group's capital structure consists of net debt (borrowings, offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves and retained earnings).

The Group carries on business throughout Australia and New Zealand, primarily through subsidiary companies that are established in the markets in which the Group operates. The operations of CLL are regulated by APRA and the management fund of CLL as a minimum Prescribed Capital Amount (PCA) that must be maintained at all times. It is calculated monthly and these results are reported to the Board each month. The current level of share capital of CLL meets the PCA requirements.

In addition, Centuria Property Funds Limited, Centuria Funds Management Limited, Centuria Property Fund No.2 Limited, Centuria Healthcare Asset Management Limited and Heathley Funds Distribution Limited have AFS licences so as to operate registered property trusts. Regulations require these entities to hold a minimum net asset amount which is maintained by way of cash term deposits and listed liquid investments.

Operating cash flows are used to maintain and, where appropriate, expand the Group's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Group regularly reviews its anticipated funding requirements and the most appropriate form of funding (capital raising or borrowings) depending on what the funding will be used for.

The capital structure of the Benefit Funds (and management fund) consists of cash and cash equivalents, bill facilities and mortgage assets. The Benefit Funds also hold a range of financial assets for investment purposes including investments in unit trusts, equity and floating rate notes. The Investment Committee aims to ensure that there is sufficient capital for possible redemptions by policyholders of the Benefit Funds by regularly monitoring the level of liquidity in each fund.

The Benefit Funds have no restrictions or specific capital requirements on the application and redemption of units. The Benefit Funds' overall investment strategy remains unchanged from the prior year.

F3 Financial instruments (continued)

(c) Fair value of financial instruments

(i) Valuation techniques and assumptions applied in determining fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.

The valuation technique used to determine the fair value of the Group's reverse mortgage loan book is as follows:

- the weighted average reverse mortgage holders' age is 81 years;
- the future cash flows calculation is related to borrowers' mortality rates and mortality improvements. The data is sourced from mortality tables provided by the actuary;
- fixed or variable interest rates charged to borrowers are used to project future cash flows;
- a redemption rate, which is based on historical loan redemption experience, applies to future cash flow forecast; and
- year-end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2020 to determine the fair value.

(ii) Valuation techniques and assumptions applied in determining fair value of derivatives

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

The valuation technique used to determine the fair value of the Fixed for Life interest rate swaps is as follows:

- the weighted average reverse mortgage holders' age is 81 years;
- the expected future cash flows in relation to the swaps are based on reverse mortgage borrowers' expected life expectancy sourced from mortality tables provided by the actuary; and the difference between the fixed swap pay rates and forward rates as of 30 June 2020 is used to calculate the future cash flows in relation to the swaps; and year-end yield curve plus a credit margin is used to discount future cash flows back to 30 June 2020 to determine the fair value.

(iii) Fair value measurements recognised in the statement of financial position

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

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

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

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

F3 Financial instruments (continued)**(c) Fair value of financial instruments (continued)****(iii) Fair value measurements recognised in the statement of financial position (continued)**

30 June 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	174,458	174,458
Receivables	Amortised cost	Not applicable	68,729	68,729
Financial assets	Fair value	Level 1	639,398	639,398
Financial assets	Fair value	Level 2	73,920	73,920
Financial assets - mortgage backed assets	Fair value	Level 3	1,195	1,195
Reverse mortgages receivables	Fair value	Level 3	58,904	58,904
			1,016,604	1,016,604
Financial liabilities				
Payables	Amortised cost	Not applicable	76,532	76,532
Benefit Funds policy holders' liability	Amortised cost	Not applicable	311,535	311,535
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	265,051	267,907
Interest rate swaps - controlled property funds	Fair value	Level 2	636	636
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	32,752	32,752
Call/Put option liability	Fair value	Level 3	17,167	17,167
			703,673	706,529
30 June 2019	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	124,673	124,673
Receivables	Amortised cost	Not applicable	69,862	69,862
Financial assets	Fair value	Level 1	252,883	252,883
Financial assets	Fair value	Level 2	48,296	48,296
Financial assets - mortgage backed assets	Fair value	Level 3	1,215	1,215
Reverse mortgages receivables	Fair value	Level 3	53,720	53,720
			550,649	550,649
Financial liabilities				
Payables	Amortised cost	Not applicable	42,232	42,232
Benefit Funds policy holders' liability	Amortised cost	Not applicable	339,557	339,557
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	303,110	309,624
Interest rate swaps - controlled property funds	Fair value	Level 2	731	731
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	28,083	28,083
			713,713	720,227

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

F3 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

(iii) Fair value measurements recognised in the statement of financial position (continued)

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

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

	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Call/Put option liability \$'000	Total \$'000
Year ended 30 June 2020					
Balance at 1 July 2019	1,215	53,720	(28,083)	-	26,852
Loan repaid	(20)	(1,646)	465	-	(1,201)
Call/Put option liability	-	-	-	(17,167)	(17,167)
Accrued interest	-	2,871	(1,760)	-	1,111
Attributable to interest rate and other risk	-	4,782	(4,669)	-	113
Attributable to credit risk	-	(823)	1,295	-	472
Balance at 30 June 2020	1,195	58,904	(32,752)	(17,167)	10,180
	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Call/Put option liability \$'000	Total \$'000
Year ended 30 June 2019					
Balance at 1 July 2018	1,215	48,059	(22,939)	-	26,335
Loan repaid	-	(1,379)	227	-	(1,152)
Accrued interest	-	2,956	(1,495)	-	1,461
Attributable to interest rate and other risk	-	5,061	(7,211)	-	(2,150)
Attributable to credit risk	-	(977)	3,335	-	2,358
Balance at 30 June 2019	1,215	53,720	(28,083)	-	26,852

F3 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

Key estimates and judgements

The fair value of the 50-year residential mortgage loans and 50-year swaps are calculated using a valuation technique based on assumptions that are not supported by prices from observable current market transactions in the same instrument and not based on available observable market data due to the illiquid nature of the instruments. A discounted cash flow model is used for analysis using the applicable yield curve out to 20 years, with the yield curve at 20 years employed as the best proxy for subsequent rates due to non-observable market data and to reflect the average remaining life expectancy of the borrowers.

Assumptions and inputs used for valuation of reverse mortgage loan receivables:

- The loan interest compounding period is the expected remaining life of the borrower;
- Mortality rates for males and females are based on portfolio-adjusted 2013-2015 Life Tables;
- The compounding interest rate is the fixed rate of loan for the period from day 1 up to the point of time when loan carrying amount equals the property value. After that point of time, the loan compounding rate will be reduced to the same as long term residential property growth rate determined by Management, on the grounds that any fixed rate exceeding the property growth rate will not be recovered after that point of time;
- For 30 June 2020 valuation, the property growth rates are -3.5% for FY21, -1.5% for FY22, then reverted back to 3.4% flat rate from FY23 onwards;
- Discount factors are calculated based on the market quoted long term rates on 30 June 2020;
- The 1% flat credit risk premium, reflecting the portfolio default profile on 30 June 2020, is added to the monthly cash flow discount factors to discount future cash flows generated by the reverse mortgage loans.

Assumptions and inputs used for valuation of the 50-year interest rate swaps:

- Mortality rates for males and females based on portfolio-adjusted 2013-2015 Life Tables. The improvement factor tapers down to 1% p.a. at age 90 and then zero at age 100;
- Joint life mortality is calculated based on last death for loans with joint borrowers;
- 34% of the residential mortgage loan portfolio consists of joint lives;
- Discount factors are calculated based on the market quoted long term rates on 30 June 2020;
- The 1.913% flat credit risk premium, reflecting the business default profile on 30 June 2020, is added to the monthly cash flow discount factors to discount future cash flows generated by the reverse mortgage loans.

Recognition and measurement

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

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship. The hedge is considered ineffective if it falls outside the range of 80% to 125%.

F3 Financial instruments (continued)

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Group and the parent recognised in the statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties.

(i) Credit risk of reverse mortgages

Concentration of credit risk in relation to reverse mortgage loans is minimal, as each individual reverse mortgage loan is secured by an individual residential property. The loan is required to be settled off from the proceeds of disposal of the secured property after the borrower's death.

Individual property valuations are conducted at least every 3 years in accordance with financier's requirements. At 30 June 2020, the highest loan to value ratio (LVR) of a loan in the reverse mortgage loan book is 131% (2019: 103%), and there are 69 out of 196 (2019: 63 out of 212) reverse mortgage loans where the LVR is higher than 50%.

(ii) Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate notes, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well-known rating agencies. The exposure of credit risk in respect of financial assets is minimal.

The Group does not have any significant credit risk exposure to any single entity in other financial assets or any group of counterparties having similar characteristics.

(e) Liquidity risk

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities.

The liquidity risk is managed for the Group at a corporate level. Bank account balances across all entities, current and future commitments, and expected cash inflows are reviewed in detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated statements of financial position, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Group can be determined. Based on this review, if it is considered that the expected cash inflows plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- renegotiate the repayment terms of the borrowings;
- sell assets that are held on the statement of financial position; and/or
- undertake an equity raising.

This, combined with a profitable business going forward, should ensure that the Group continues to meet its commitments, including repayments of borrowings, as and when required.

The Group's overall strategy to liquidity risk management remains unchanged from the prior year.

The following table summarises the Group's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been prepared based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the parent can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

The policyholders in the Benefit Funds are able to redeem their policies at any time and the Benefit Funds are therefore exposed to the liquidity risk of meeting policyholders' withdrawals at any time. The Investment Committee aims to ensure that there is sufficient capital for possible redemptions by policyholders of the Benefit Funds by regularly monitoring the level of liquidity in each fund.

F3 Financial instruments (continued)

(e) Liquidity risk (continued)

	On demand	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities						
2020						
Borrowings	-	1,010	72,001	221,360	-	294,371
Payables	-	76,532	-	-	-	76,532
Call/Put option liability	-	-	-	24,942	-	24,942
Benefit Funds policyholder's liability	311,535	-	-	-	-	311,535
Finance lease liabilities	-	443	1,404	8,938	11,779	22,564
Total	311,535	77,985	73,405	255,240	11,779	729,944

2019						
Borrowings	-	1,141	29,603	317,172	-	347,916
Payables	-	42,232	-	-	-	42,232
Benefit Funds policyholder's liability	339,557	-	-	-	-	339,557
Total	339,557	43,373	29,603	317,172	-	729,705

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis.

	On demand	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative financial liabilities						
2020						
Interest rate swaps	-	51	867	1,874	49,159	51,951
Total	-	51	867	1,874	49,159	51,951
2019						
Interest rate swaps	-	39	789	1,446	49,182	51,456
Total	-	39	789	1,446	49,182	51,456

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and price risk. Due to the nature of assets held by the Group (excluding the Benefit Funds), there is an asset and liability management process which determines the interest rate sensitivity of the statement of financial position and the implementation of risk management practices to hedge the potential effects of interest rate changes. The Group manages the market risk associated with its Benefit Funds by outsourcing its investment management. The Investment Manager manages the financial risks relating to the operations of the Benefit Funds in accordance with an investment mandate set out in the Benefit Funds' constitution and PDS. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk.

F3 Financial instruments (continued)

(f) Market risk (continued)

(i) Interest rate risk management

The Group is exposed to interest rate risk because entities in the Group borrow funds at floating interest rates. Management of this risk is evaluated regularly and interest rate swaps are used accordingly.

The tables below detail the Group's interest bearing financial assets and liabilities.

	Weighted average effective interest rate %	Variable rate \$'000	Fixed rate \$'000	Total \$'000
2020				
Financial assets				
Cash and cash equivalents	0.24%	150,752	23,706	174,458
Other financial assets held by Benefit Funds	0.71%	79,902	81,397	161,299
Other interest bearing loans	10.00%	-	6,702	6,702
Reverse mortgage receivables	8.64%	1,181	57,723	58,904
Total financial assets		231,835	169,528	401,363
Financial liabilities				
Borrowings	4.19%	(171,228)	(93,823)	(265,051)
Total financial liabilities		(171,228)	(93,823)	(265,051)
Net interest bearing financial assets		60,607	75,705	136,312

	Weighted average effective interest rate %	Variable rate \$'000	Fixed rate \$'000	Total \$'000
2019				
Financial assets				
Cash and cash equivalents	1.31%	104,462	20,211	124,673
Other financial assets held by Benefit Funds	2.93%	124,120	5,065	129,185
Other interest bearing loans	10.00%	-	6,066	6,066
Reverse mortgage receivables	8.73%	1,158	52,562	53,720
Total financial assets		229,740	83,904	313,644
Financial liabilities				
Borrowings	5.24%	(175,110)	(128,000)	(303,110)
Total financial liabilities		(175,110)	(128,000)	(303,110)
Net interest bearing financial assets/(liabilities)		54,630	(44,096)	10,534

F3 Financial instruments (continued)

(f) Market risk (continued)

(ii) Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Group's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss.

	Average contracted rate		Notional principal amount		Fair value	
Pay fixed for floating contracts designated as effective in fair value hedge	2020 %	2019 %	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Controlled property funds interest rate swaps	1.11%	1.36%	70,000	84,815	(636)	(731)
50 years swaps contracts	7.48%	7.48%	9,921	10,402	(32,752)	(28,083)
			<u>79,921</u>	<u>95,217</u>	<u>(33,388)</u>	<u>(28,814)</u>

(iii) Interest rate sensitivity

The sensitivity analysis below has been determined based on the parent and the Group's exposure to interest rates at the balance 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. A 25 basis point (0.25%) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

At reporting date, if variable interest rates had been 25 (2019: 100) basis points higher or lower and all other variables were held constant, the impact to the Group would have been as follows:

	Change in variable		Effect on profit after tax	
	2020	2019	2020 \$'000	2019 \$'000
Consolidated				
Interest rate risk	+0.25%	+1%	(181)	631
Consolidated				
Interest rate risk	-0.25%	-1%	109	(537)

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analysis takes into account interest-earning assets and interest-bearing liabilities attributable to the securityholders only, and does not take into account the bank bill facility margin changes.

F3 Financial instruments (continued)

(f) Market risk (continued)

(iv) Fair value hedges

The Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity		
	1-6 months	6-12 months	More than one year
Interest rate swaps - as at 30 June 2020			
Net exposure (\$'000)	-	-	9,921
Average fixed interest rate	-	-	7.48%
Interest rate swaps - as at 30 June 2019			
Net exposure (\$'000)	-	-	10,402
Average fixed interest rate	-	-	7.48%

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

Interest rate swaps	Carrying Amount			Hedge ineffectiveness recognised in profit or loss
	Nominal Amount	Assets	Liabilities	
30 June 2020	9,921	-	(32,752)	38
30 June 2019	10,402	-	(28,083)	37

Interest rate swaps are recognised as interest rate swaps at fair value line item in the statement of financial position. The line item in the profit or loss statement that includes hedge effectiveness is within finance costs.

F4 Remuneration of auditors

Amounts received or due and receivable by KPMG:

	2020 \$	2019 \$
Audit and review of the financial report	420,565	479,218
Other services including AFSL and compliance plan audits	125,500	64,831
Non-audit services	114,266	84,837
	660,331	628,886

F5 Events subsequent to the reporting date

In addition to the issuance of 27,021,424 stapled securities in the Group which were recognised as at 30 June 2020 in respect of the acquisition of Augusta, the Group has subsequently issued a further 22,405,357 stapled securities for the additional Augusta shares that have been acquired to the date of this report. The Group's ownership of Augusta at the date of this report has increased to 96.4%.

Since balance date, the COVID-19 pandemic has continued to evolve with potential impacts on specific areas of judgement applied in preparing these financial statements.

Victoria has reported increasing numbers of COVID-19 cases since early July 2020 and the Victorian government has subsequently announced a stage-4 lock-down for Melbourne commencing from 2 August 2020 to 13 September 2020.

On 21 July the Government announced it is extending the JobKeeper Payment for a further six months until end of March 2021 to support businesses who continue to be significantly impacted by COVID-19.

The Group has continued to re-evaluate the potential impacts of the pandemic on significant inputs and key areas of judgement as outlined in Note A2. Based on these evaluations, the Group has determined there are no material events which would give rise to an adjustment.

Since balance date, CIP has announced unconditional acquisitions amounting to \$447 million. Included in these acquisitions is the sale and lease back of the Telstra Data Centre in Clayton, Victoria.

Other than the above, there has not arisen in the interval between 30 June 2020 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Directors' declaration

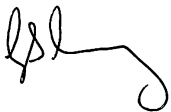
In the opinion of the Directors' of Centuria Capital Limited:

- (a) the consolidated financial statements and notes set out on pages 23 to 87 and the Remuneration Report set out on pages 11 to 21 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Group 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 Joint Chief Executive Officers and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



Mr Garry S. Charny
Director



Mr Peter J. Done
Director

12 August 2020

Independent Auditor's Report

To the stapled security holders of Centuria Capital Group

Report on the audit of the Financial Report

Opinion

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

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

- giving a true and fair view of the Stapled Group's financial position as at 30 June 2020 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** of the Stapled Group comprises the:

- Consolidated statement of financial position as at 30 June 2020;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The Stapled Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year and Centuria Capital 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 Stapled Group and Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The **Key Audit Matters** we identified for the Stapled Group are:

- Recognition of performance fee income
- Accounting for acquisitions
- Recoverable amount of goodwill and indefinite life intangible assets

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.

These matters were 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 these matters.

Recognition of performance fee income (\$21.5m)

Refer to Note B2 to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Stapled Group, in its capacity as a property fund manager, earns performance fees based on agreements with some of its managed property funds. Performance fees are triggered when underlying funds internal rate of return exceeds the agreed hurdle rate.</p> <p>Recognition of performance fee income is considered a key audit matter due to the:</p> <ul style="list-style-type: none"> • Quantum of performance fee income, representing 20% of the Stapled Group's total revenue; and • Significant judgement exercised by us in assessing the amount of performance fees recognised by the Stapled Group. The key assumptions impacting the amount of performance fees, are subject to estimation uncertainty, bias and inconsistent application. This increases the risk of inaccurate forecasts or a wider range of possible outcomes for us to consider. Increased time and effort is spent by the audit team in assessing these key assumptions. <p>The amount of performance fees recognised are impacted by key assumptions including:</p> <ul style="list-style-type: none"> • Fair value of underlying investment properties held by the funds. The valuation of investment properties contains assumptions with estimation uncertainty such as expected capitalisation rates and market rental 	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> • Read the Stapled Group's agreements with managed property funds to understand the key terms related to performance fees, including hurdle rates. • Evaluated the Stapled Group's accounting policies regarding the recognition of performance fee income against accounting standard requirements. This included assessing the Stapled Group's policies for constraining performance fee income and valuing investment properties against accounting standard requirements. • Assessed the scope, competence and objectivity of the funds external experts and their internal valuers to fair value the underlying investment properties held by the funds. • Challenged specific property fair value assumptions such as capitalisation rates and market rental yields by comparing to market analysis published by industry experts, recent market transactions, inquiries with the Stapled Group, historical performance of the underlying investment properties and using our industry experience. • Assessed the Stapled Group's determination of the forecast fund end date based on the underlying managed property fund agreements, the fair value of underlying

<p>yields. This leads to additional audit effort due to the differing assumptions based on asset classes, geographies and characteristic of individual investment properties.</p> <ul style="list-style-type: none"> • Forecast fund end date. The fund end date impacts the level of returns that can be achieved over the course of the funds life and may change depending on management's view of when maximum value can be obtained for unitholders of the fund. • Constraint. This is impacted by the Stapled Group's expectations of how much of the performance fee is highly probable to be received in accordance with the requirements of the accounting standards. 	<p>investment properties, the Stapled Group's fund strategy and history of extending fund term end dates.</p> <ul style="list-style-type: none"> • Recalculated the Stapled Group's performance fee recognised against hurdles in the underlying performance fee agreements with managed property funds. • Challenged the constraints applied in determining the amount of performance fees that are highly probable to be received by the Stapled Group, based on the Stapled Group's estimate of current and forecast property fund performance. We used our knowledge of the Stapled Group, their past performance, business, and our industry experience.
Accounting for acquisitions	
Refer to Note E2 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>During the year, the Stapled Group acquired:</p> <ul style="list-style-type: none"> • 63.92% of Augusta Capital Limited ("Augusta"); and • 63.06% of Centuria Healthcare Pty Ltd ("Centuria Healthcare") (formerly known as Heathley Limited). <p>Acquisition accounting is identified as a key audit matter given the significance to the financial statements and the significant judgment required to assess:</p> <ul style="list-style-type: none"> • The effective date of the transaction based on the evidence and determination of the date of control and consolidation. • Fair value of consideration transferred; • Fair value of acquired assets and liabilities including the value of identifiable intangible assets (e.g. management rights); • Recognition of goodwill arising from the acquisition; • Accounting treatment and valuation of the put and call option in relation to the remaining interest in Centuria Healthcare; <p>We involved valuation specialists in assessing this key audit matter.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> • Obtained an understanding of the acquisition by examining the sales and purchase agreements and transaction documents. • Considered the Stapled Group's determination of the date control was obtained. We did this by evaluating the facts and circumstances of the transaction and their relevance to the Stapled Group's assessment of control and impact on the date control was obtained. • Assessed the Stapled Group's determination of the fair value of consideration transferred, considering all available information including published prices and contractual agreements. • Worked with our valuation specialists to assess the Stapled Group's determination of fair value of acquired assets and liabilities. In particular, we focused on the fair value of identifiable intangible assets (e.g. management rights). • Evaluated the recognition of goodwill against accounting standard requirements. • Evaluated the Stapled Group's recognition and calculation of put and call option. This included assessing its classification against accounting standard requirements and challenging the

	<p>inputs to the calculation of the liability.</p> <ul style="list-style-type: none"> Assessed the appropriateness of the relevant disclosures in the Financial Report against accounting standard requirements.
Recoverable amount of goodwill and indefinite life intangible assets (\$275.5m)	
Refer to Note C6 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>A key audit matter is the Group's annual testing of goodwill and indefinite life intangible assets for impairment, given the size of the balance and sensitivity of the forward looking assumptions to small changes. We focussed on the significant forward-looking assumptions the Stapled Group applied in their value in use model, including:</p> <ul style="list-style-type: none"> Forecast operating cash flows, growth rates and terminal growth rates (taking into consideration future growth in funds under management and transactional fees). The Group's model is sensitive to small changes in these assumptions, which may reduce available headroom. This drives additional audit effort specific to their feasibility and consistency of application to the Group's strategy. Discount rate - this is complicated in nature and varies according to the conditions and environment the specific Cash Generating Unit (CGU) is subject to from time to time. <p>We involved valuation specialists in assessing this key audit matter.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> Considered the appropriateness of the value in use method applied by the Stapled Group, to perform the annual test of goodwill and indefinite life intangible assets for impairment, against the requirements of the accounting standards. Compared the forecast cash flows contained in the value in use model to the Board approved forecast. Assessed the accuracy of previous Stapled Group forecasts to inform our evaluation of forecasts incorporated in the model. Challenged the Stapled Group's significant forecast cash flow and growth assumptions: <ul style="list-style-type: none"> Challenged the Stapled Group's significant forecast cash flows by comparing baseline cash flows to actual historic cash flows and comparing key events to the Board approved plan and strategy. With the assistance of our valuation specialists, compared terminal growth rates to published studies of industry trends and expectations, and considered differences for the Stapled Group's operations. We used our knowledge of the Stapled Group, their past performance, business and customers, and our industry experience. Checked the consistency of the forecast growth rates to the Stapled Group's stated plan and strategy and our experience regarding the feasibility of these in the economic environment in which they operate. Worked with our valuation specialists to independently develop a discount rate range

	<p>considered comparable using publicly available market data for comparable entities, adjusted by risk factors specific to the Stapled Group and the industry it operates in.</p> <ul style="list-style-type: none"> • Considered the sensitivity of the model by varying key assumptions, such as forecast growth rates, terminal growth rates and discount rates, within a reasonably possible range. We did this to identify those assumptions at higher risk of bias or inconsistency in application and to focus on our further procedures. • Assessed the disclosures in the financial report using our understanding of any issues obtained from our testing and against the requirements of the accounting standards.
--	--

Other Information

Other Information is financial and non-financial information in Centuria Capital Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report and Appendix 4E. The Investor Report, Key Financial Metrics, Chairman's Report, Chief Executive's Report, Unlisted Property, Listed Property, Centuria Life and Centuria in the Community 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, with the exception of the Remuneration Report and our related assurance opinion.

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 Company 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 Stapled Group'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 Stapled 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_2020.pdf This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Centuria Capital Limited for the year ended 30 June 2020 complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 11 to 21 of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*



KPMG



Nigel Virgo

Partner

Sydney

12 August 2020

Additional stock exchange information

The securityholder information set out below was applicable as at 31 July 2020.

Distribution of securities

Analysis of numbers of securityholders by size of holding:

Holding	Number of holders	Number of securities
1 - 1000	1,062	512,964
1,001 - 5,000	4,099	10,185,886
5,001 - 10,000	981	6,944,638
10,001 - 100,000	1,116	30,742,547
100,001 and over	146	469,719,052
	7,404	518,105,087

There were 280 holders of less than a marketable parcel of securities holding 32,887 securities.

Top 20 Securityholders

The names of the twenty largest holders of securities are listed below:

	Number held	Percentage of issued securities
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	92,223,039	17.80
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	88,592,543	17.10
PERPETUAL CORPORATE TRUST LTD <ESR PTE LTD AC>	63,890,587	12.33
CITICORP NOMINEES PTY LIMITED	33,239,554	6.42
ESR PTE LTD	32,368,569	6.25
THE TRUST COMPANY (AUSTRALIA) LIMITED <A/C 4>	23,432,165	4.52
NATIONAL NOMINEES LIMITED	22,409,493	4.32
BNNP PARIBAS NOMS PTY LTD <DRP>	17,700,754	3.42
GH 2016 PTY LTD <HARVEY 2006 OPTION A/C>	9,536,034	1.84
BNP PARIBAS NOMS (NZ) LTD <DRP>	8,893,666	1.72
MARK EDWARD FRANCIS & ROCKRIDGE TRUSTEE COMPANY LIMITED <ROCKRIDGE A/C>	5,779,411	1.12
HWM (NZ) HOLDINGS LIMITED	4,870,000	0.94
RESOLUTE FUNDS MANAGEMENT <HANOVER GRP STAFF SUPER A/C>	4,244,364	0.82
PARITAI PTY LIMITED <PARITAI A/C>	3,477,066	0.67
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,270,454	0.63
BRYSHAW MANAGEMENT PTY LTD <BRYSHAW A/C>	2,939,287	0.57
HSBC NOMINEES (NEW ZEALAND) LIMITED	2,702,659	0.52
PARSONAGE PROVIDENT P/L <PARSONAGE PROVIDENT FUND A/C>	2,215,115	0.43
CICERONE CAPITAL PTY LTD <MELBURGP A/C>	2,131,028	0.41
KAWAROA TRUSTEE LIMITED <KAWAROA A/C>	1,979,348	0.38
	425,895,136	82.21

Substantial holders

Substantial holders in the Group are set out below as at 31 July 2020.

	Number held	Percentage
ESR Pte. Ltd	96,259,156	18.58%
Moelis Australia Limited	29,528,529	6.11%
BlackRock, Inc.	26,912,716	5.57%
	<u>152,700,401</u>	<u>30.26%</u>

Voting rights

All ordinary securities carry one vote per security without restriction.

Centuria Capital Fund Financial Report for the year ended 30 June 2020

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

**Centuria Capital Fund
Financial Report - 30 June 2020**

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These consolidated financial statements are the financial statements of the consolidated entity consisting of Centuria Capital Fund and its subsidiaries. A list of subsidiaries is included in note E3. The consolidated financial statements are presented in the Australian currency.

Centuria Capital Fund is a trust, registered and domiciled in Australia.

Its registered office is:

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

The consolidated financial statements were authorised for issue by the Directors of the Responsible Entity on 12 August 2020.

Through the use of the internet, we have ensured that our corporate reporting is timely and complete. All press releases, financial reports and other information are available at our Shareholder's Centre on our website: www.centuria.com.au

Directors' Report

The directors of Centuria Funds Management Limited (the 'Company') as the Responsible Entity for Centuria Capital Fund ('CCF') present their report together with the consolidated financial statements of the Fund and its controlled entities (the 'Fund') for the financial year ended 30 June 2020 and the auditor's report thereon.

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

Directors and directors' interests

Directors of Centuria Funds Management Limited during or since the end of the financial year are:

Mr Garry S. Charny , BA. LL.B. <i>Independent Non-Executive Director and Chairman</i>		
Experience and expertise	<p>Garry was appointed to the Board on 23 February 2016 and appointed Chairman of Centuria Capital Group on 30 March 2016. Garry is also Chairman of Centuria Life Limited and Over Fifty Guardian Friendly Society Limited.</p> <p>He is Managing Director and founding principal of Wolseley Corporate, an Australian based corporate advisory and investment house which transacts both domestically and internationally.</p> <p>He has significant, board-level experience in listed and unlisted companies across a diverse range of sectors including property, retail, technology and media. He formerly practised as a barrister in the fields of commercial and equity.</p>	
Other directorships	Garry is Chairman of Wolseley Corporate. He is also Chairman of Spotted Turquoise Films, an international Film and Television company based in Sydney and Los Angeles. He is Chairman of Shero Investments, a Sydney based investment company.	
Special responsibilities	<p>Chairman of the Board</p> <p>Chairman of the Conflicts Committee</p> <p>Chairman of the Nomination and Remuneration Committee</p> <p>Member of the Audit, Risk Management and Compliance Committee</p>	
Interests in CNI	Ordinary stapled securities	369,676
Mr Peter J. Done , B.Comm, FCA. <i>Independent Non-Executive Director</i>		
Experience and expertise	<p>Peter was appointed to the Board on 8 August 2016. Peter was a partner of KPMG for 27 years until his retirement in June 2006.</p> <p>He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.</p>	
Other directorships	None	
Special responsibilities	<p>Chairman of the Audit, Risk Management and Compliance Committee</p> <p>Member of the Nomination and Remuneration Committee</p>	
Interests in CNI	Ordinary stapled securities	1,328,982

Directors and directors' interests (continued)

Mr John R. Slater , Dip.FS (FP), F Fin. <i>Independent Non-Executive Director</i>		
Experience and expertise	<p>John was appointed to the Board on 22 May 2013 having previously been an adviser to the Centuria Life Friendly Society Investment Committees from 2011. He brings a wealth of financial service experience to the Board.</p> <p>Between 1989 and 1999, John was a senior executive in KPMG Financial Services and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital.</p> <p>In 2008, John founded boutique Financial Advisory firm Riviera Capital, which he sold in 2016.</p>	
Other directorships	None	
Special responsibilities	<p>Member of the Audit, Risk Management and Compliance Committee</p> <p>Member of the Nomination and Remuneration Committee</p>	
Interests in CNI	Ordinary stapled securities	3,038,570

Ms Susan Wheeldon , MBA. <i>Independent Non-Executive Director</i>		
Experience and expertise	<p>Susan was appointed to the Board on 31 August 2016.</p> <p>Susan is Country Manager for Australia and New Zealand at Airbnb. Previously, she served in a number of roles, including Head of Government & Performance and Head of Agency at Google, working with major national and global companies to develop and deliver growth strategies that future-proof and build clients' businesses and brands in a constantly changing environment.</p> <p>She has previous experience in retail property asset management at AMP Capital Shopping Centres, as Head of Brand & Retail, responsible for delivering alternative revenue from 38 retail assets across Australia and New Zealand with combined annual sales in excess of \$5 billion.</p>	
Other directorships	Director of Nimble Australia	
Special responsibilities	Member of the Conflicts Committee	
Interests in CNI	Ordinary stapled securities	nil

Directors and directors' interests (continued)

Mr Nicholas R. Collishaw , SAFin, FAAPI, FRICS. <i>Non-Executive Director</i>		
Experience and expertise	<p>Nicholas has been a Non-Executive Director of Centuria Capital Group since October 2017. Previously he was Centuria Capital's CEO of Listed Property Funds, joining in May 2013. Nicholas brings to the Boards more than 30 years experience across domestic and international real estate and investment markets.</p> <p>Between 2005 and 2012, he was Mirvac Group's CEO and Managing Director, responsible for successfully guiding the real estate development and investment company through the Global Financial Crisis and implementing sustained growth strategies.</p> <p>Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.</p>	
Other directorships	Chairman of Redcape Hotel Group Management Ltd	
Special responsibilities	None	
Interests in CNI	Ordinary stapled securities	3,861,523
	Performance rights granted	302,561

Mr John E. McBain , Dip. Urban Valuation. <i>Executive Director and Chief Executive Officer</i>		
Experience and expertise	<p>Joint Chief Executive Officer John McBain has founded four real estate entities including Hanover Property Group Ltd, Waltus Investments, Century Funds Management and Centuria Capital, the latter two with Joint Chief Executive Officer, Jason Huljich. He has 40 years real estate experience across Australian, New Zealand and British markets, focused on the industrial and office sectors.</p> <p>John is chiefly responsible for the company's corporate governance, macro and long-term strategic direction, mergers and acquisitions, and he jointly steers the Senior Executive Committee. Since 2007, he has helped integrate several businesses into the company's fold, including the former 360 Capital Group (2016), a 63% interest in Heathley Asset Management (2019) and is in the process of a full takeover bid for Augusta Capital Limited having secured a 96.4% interest at the date of this report.</p> <p>John holds a diploma in Urban Valuation (University of Auckland).</p>	
Other directorships	None	
Special responsibilities	Joint Chief Executive Officer	
Interests in CNI	Ordinary stapled securities	6,441,053
	Performance rights granted	1,891,347

Directors and directors' interests (continued)

Mr Jason C. Huljich, B. Comm. Executive Director and Group Joint Chief Executive Officer		
Experience and expertise	<p>Joint Chief Executive Officer Jason Huljich's 24-year real estate career spans the Australian commercial and industrial real estate sectors. He co-founded Centuria Capital, with Joint Chief Executive Officer, John McBain.</p> <p>He is an Executive Director of Centuria Capital Group, Centuria Life Limited, Centuria Healthcare Pty Limited and Centuria Healthcare Asset Management Limited.</p> <p>Jason shares the helm of Centuria with John, collectively overseeing \$9.4 billion of assets under management and 130 staff throughout Sydney, Melbourne, Brisbane and Manila.</p> <p>He is chiefly responsible for the company's real estate portfolio and funds management operations including the listed Centuria Industrial REIT (CIP) and Centuria Office REIT (COF), as well as Centuria's 13 unlisted funds. The latter regularly feature within the Top 10 Performing Core Funds in the Property Council of Australia/ MSCI Australia Unlisted Retail Quarterly Property Funds Index.</p> <p>Since Centuria was established, Jason has been pivotal in raising over \$2.5 billion for the listed and unlisted vehicles. He has been central to positioning Centuria as Australia's fourth largest external manager. CIP is included in the ASX 200 with COF and Centuria Capital Group (CNI) part of the ASX 300.</p> <p>Jason has a hands-on approach to the real estate operations throughout the company's platform. Transactions, Development, Funds Management, Distribution and Asset Management teams all report directly to him.</p> <p>Jason's career began after graduating with a Bachelor of Commerce (Commercial Law major) from the University of Auckland. He is the Property Funds Association of Australia (PFA)'s Past President and National Executive Committee Member. The PFA is the peak industry body representing the \$125 billion direct property investment industry.</p>	
Other directorships	None	
Special responsibilities	Joint Chief Executive Officer	
Interests in CNI	Ordinary stapled securities	3,718,114
	Performance rights granted	1,571,539

Company secretary

Anna Kovarik was appointed to the position of Company Secretary on 5 July 2018.

Anna holds a Masters of Information Technology, a BA (Hons) in Systems Management and was awarded a distinction in the Global Executive MBA program at the University of Sydney. She is qualified as a solicitor in both the United Kingdom and New South Wales and was a senior associate at Allens law practice in Sydney.

Prior to joining Centuria, Anna held the position of Group Risk Manager at Mirvac Group and was previously Head of Group Insurance for AMP and General Counsel and Company Secretary at AMP Capital Brookfield.

Principal activities

The principal activity of the Fund during the financial year was holding direct interest in property funds and other liquid investments.

Significant changes and state of affairs

Significant changes in the state of affairs of the Fund during the financial year, in addition to the operating and financial review below were as follows

- Contributed equity attributable to Centuria Capital Fund increased by \$202,306,000 from \$343,438,000 to \$545,744,000 reflecting equity raisings undertaken during the year. This included securities issued as partial consideration for the takeover of Augusta Capital Limited on 8 July 2020 and the vesting of rights under the Executive Incentive Plan. Details of changes in contributed equity is disclosed in Note C6 to the consolidated financial statements.
- In October 2019, the Fund repaid \$35,000,000 of the 7.0% fixed rate secured notes.
- The Fund decreased its equity accounted stakes in Centuria Office REIT ('COF') and Centuria Industrial REIT ('CIP') to below 20% and these investments have since been accounted for as financial assets carried at fair value through profit or loss.
- On the final day of the financial year the Group had received commitments to acquire 63.92% of the total Augusta shares and had stated its intention to declare the offer unconditional. As a result, the Group has been deemed to attain control over Augusta on the final day of the financial year on 30 June 2020. The offer was subsequently declared unconditional on 8 July 2020 at which time the Group's shareholdings in Augusta had reached 65.86%. The offer consisted of a cash component of NZ\$0.22 and a scrip component of 0.392 Centuria stapled securities per Augusta share.

Reviews of operations

The Fund's profit from continuing operations for the year ended 30 June 2020 was \$1,131,000 (2019: \$31,327,000).

Earnings per unit

	2020 Statutory	2019 Statutory
Basic earnings per unit (cents/unit)	0.0	8.7
Diluted earnings per unit (cents/unit)	0.0	8.1

Distributions

Distributions paid or declared by the Fund to the Fund's unitholders during the current financial year were:

	Cents per unit	Total amount \$'000	Date paid/payable
Distributions paid during the year			
Final 2019 Trust distribution	4.50	17,262	16 August 2019
Interim 2020 Trust distribution	2.80	12,567	31 January 2020
Distributions declared during the year			
Final 2020 Trust distribution	3.40	16,420	8 July 2020
Total amount	10.70	46,249	

Directors' Report

Responsible Entity interests

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

	2020 \$	2019 \$
Management and custodian fees paid to Centuria Property Funds No. 2 Limited and Centuria Property Funds Limited and Centuria Healthcare Asset Management Limited	1,292,948	1,153,639
Management fees paid to Centuria Funds Management Limited	200,000	200,000
	1,492,948	1,353,639

Events subsequent to the reporting date

In addition to the issuance of 27,021,424 stapled securities in the Group which were recognised as at 30 June 2020 in respect of the acquisition of Augusta, the Group has subsequently issued a further 22,405,357 stapled securities for the additional Augusta shares that have been acquired to the date of this report. The Group's ownership of Augusta at the date of this report has increased to 96.4%.

Since balance date, the COVID-19 pandemic has continued to evolve with potential impacts on specific areas of judgement applied in preparing these financial statements.

Victoria has reported increasing numbers of COVID-19 cases since early July 2020 and the Victorian government has subsequently announced a stage-4 lock-down for Melbourne commencing from 2 August 2020 to 13 September 2020.

On 21 July 2020 the Government announced it is extending the JobKeeper Payment for a further six months until end of March 2021 to support businesses who continue to be significantly impacted by COVID-19.

The Fund has continued to re-evaluate the potential impacts of the pandemic on significant inputs and key areas of judgement as outlined in Note A2. Based on these evaluations, the Fund has determined there are no material events which would give rise to an adjustment.

Other than the above, there has not arisen in the interval between 30 June 2020 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Likely developments

The Fund continues to pursue its strategy of focusing on its core operations, utilising a strengthened balance sheet to provide support to grow and develop these operations.

Further information about likely developments in the operations of the Fund and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the Fund.

Environmental regulation

The Fund's operations are not subject to any significant environmental regulation.

Indemnification of officers and auditors

Under the Fund's constitution the Responsible Entity, including its officers and employees, is indemnified out of the Fund'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 Fund.

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

Rounding of amounts

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

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



Mr Garry S. Charny
Director



Mr Peter J. Done
Director

Sydney
12 August 2020



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Capital Fund
for the financial year ended 30 June 2020 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
12 August 2020

Centuria Capital Fund

Financial report 30 June 2020

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Consolidated statement of comprehensive income

For the year ended 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Revenue	B1	49,729	35,450
Share of net profit of equity accounted investments	E1	8,132	28,238
Fair value movements of financial instruments and property		(31,835)	109
Expenses	B2	(9,035)	(13,989)
Finance costs	B3	(15,860)	(18,481)
Net Profit		1,131	31,327
Profit is attributable to:			
Centuria Capital Fund		149	31,181
Non-controlling interests		982	146
Profit after tax		1,131	31,327
Other comprehensive income		-	-
Total comprehensive income for the year		1,131	31,327
Total comprehensive income for the year is attributable to:			
Centuria Capital Fund		149	31,181
Non-controlling interests		982	146
Total comprehensive income		1,131	31,327
Profit attributable to Centuria Capital Fund unitholders		149	31,181
		Cents	Cents
Earnings per Centuria Capital Fund unit			
Basic (cents per unit)	B4	0.0	8.7
Diluted (cents per unit)	B4	0.0	8.1

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

Consolidated balance sheet

As at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
Assets			
Cash and cash equivalents		53,059	68,018
Receivables	C1	7,329	27,580
Financial assets at fair value	C2	581,670	116,537
Investment properties	C3	167,110	177,500
Other assets		1,295	-
Equity accounted investments	E1	31,830	329,572
Total assets		842,293	719,207
Liabilities			
Payables	C4	23,531	25,640
Borrowings	C5	253,211	296,916
Interest rate swaps at fair value		636	731
Total liabilities		277,378	323,287
Net assets		564,915	395,920
Equity			
Equity attributable to Centuria Capital Fund			
Contributed equity	C6	545,744	343,438
Retained earnings		(22,439)	6,399
Total equity attributable to unitholders of Centuria Capital Fund		523,305	349,837
Equity attributable to non-controlling interests			
Contributed equity		14,248	32,927
Retained earnings		27,362	13,156
Total equity attributable to non-controlling interests		41,610	46,083
Total equity		564,915	395,920

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

Consolidated statement of changes in equity

For the year ended 30 June 2020

	Centuria Capital Fund			Non-controlling interests			
	Contributed equity \$'000	Retained earnings \$'000	Equity attributable to Centuria Capital Fund unitholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
Balance at 1 July 2020	343,438	6,399	349,837	32,927	13,156	46,083	395,920
Profit/(loss) for the year	-	149	149	-	982	982	1,131
Total comprehensive income for the year	-	149	149	-	982	982	1,131
Distributions paid/accrued	-	(28,987)	(28,987)	-	(3,375)	(3,375)	(32,362)
Units issued during the year	205,216	-	205,216	1,459	-	1,459	206,675
Cost of equity raising	(2,910)	-	(2,910)	-	-	-	(2,910)
Deconsolidation of controlled property funds	-	-	-	(20,138)	16,599	(3,539)	(3,539)
Balance at 30 June 2020	545,744	(22,439)	523,305	14,248	27,362	41,610	564,915

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

Consolidated statement of changes in equity

	Centuria Capital Fund			Non-controlling interests			
	Contributed equity \$'000	Retained earnings \$'000	Equity attributable to Centuria Capital Fund unitholders \$'000	Contributed equity \$'000	Retained earnings \$'000	Total \$'000	Total equity \$'000
Balance at 1 July 2019	244,930	5,518	250,448	32,927	16,373	49,300	299,748
Profit for the year	-	31,181	31,181	-	146	146	31,327
Total comprehensive income for the year	-	31,181	31,181	-	146	146	31,327
Distributions paid/accrued	-	(30,300)	(30,300)	-	(3,363)	(3,363)	(33,663)
Units issued during the year	70,696	-	70,696	-	-	-	70,696
Cost of equity raising	(2,188)	-	(2,188)	-	-	-	(2,188)
Capital re-invested from Centuria Capital Limited	30,000	-	30,000	-	-	-	30,000
Balance at 30 June 2019	343,438	6,399	349,837	32,927	13,156	46,083	395,920

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 2020

	Notes	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Interest received		467	10,530
Rent received		18,400	21,451
Distributions received		25,634	26,387
Payments to suppliers		(12,157)	(19,038)
Interest paid		(14,448)	(15,249)
Other income		66	925
Net cash provided by operating activities	D1	17,962	25,006
Cash flows from investing activities			
Proceeds from sale of related party investments		53,554	14,552
Purchase of investments in related parties		(112,603)	(174,314)
Loans to related parties		-	(5,128)
Proceeds from sale of investments		-	136,899
Repayment of loans by related parties		46,946	5,865
Purchase of other investments		(2,715)	(72,262)
Purchase of equity accounted investments		(12,977)	(23,243)
Loans provided to other parties		(87,465)	(5,925)
Sale of investment property		23,500	22,600
Payments in relation to investment properties		(21,097)	(1,896)
Return of investment to external non-controlling interests		(4,231)	-
Net cash used in investing activities		(117,088)	(102,852)
Cash flows from financing activities			
Proceeds from issues of units to unitholders of Centuria Capital Fund		163,840	70,694
Equity raising costs paid		(2,912)	(2,184)
Proceeds from borrowings		6,549	80,000
Repayment of borrowings		(49,938)	(21,470)
Capitalised borrowing costs paid		-	(1,725)
Capital reinvested from Centuria Capital Limited		-	30,000
Distributions paid to unitholders of Centuria Capital Fund		(29,828)	(22,997)
Distributions paid to non-controlling interests		(3,375)	(3,363)
Proceeds from issues of units to non-controlling interests		1,459	-
Costs paid to issue debt		(1,628)	-
Net cash provided by financing activities		84,167	128,955
Net (decrease) increase in cash and cash equivalents		(14,959)	51,109
Cash and cash equivalents at the beginning of the financial period		68,018	16,909
Cash and cash equivalents at end of year		53,059	68,018

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

A About the report

A1 General information

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

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

Statement of compliance

The consolidated 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).

The consolidated financial statements of the Fund comprising the Fund (as 'Parent') and its controlled entities for the year ended 30 June 2020 were authorised for issue by the Board of Directors of Centuria Funds Management Limited as the Responsible Entity on 12 August 2020.

The Fund was established on 20 July 2016.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, investment properties and derivative financial instruments, and other financial assets, which have been measured at fair value at the end of each reporting period. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the Fund's functional currency, unless otherwise noted.

Assets and liabilities have been presented on the face of the Statement of financial position in decreasing order of liquidity and do not distinguish between current and non-current items.

Rounding of amounts

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

A2 Coronavirus (COVID-19) impact

Background

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

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

The Fund has considered the impact of COVID-19 and other market volatility in preparing its financial statements. While the specific areas of judgement as noted in Note A6 did not change, the impact of COVID-19 resulted in the application of further judgement within those identified areas. Given the evolving nature of COVID-19 and the limited recent experience of the economic and financial impacts of such a pandemic, changes to the estimates and outcomes that have been applied in the measurement of the Fund's assets and liabilities may arise in the future. Other than adjusting events that provide evidence of conditions that existed at the end of the reporting period, the impact of events that arise after the reporting period will be accounted for in future reporting periods.

Processes applied

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

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

Consideration of the statements of financial position and further disclosures

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

Financial assets

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

Investment properties

As a result of COVID-19, there is significant valuation uncertainty due to an inactive property investment market, a lack of relevant transactional evidence as well as uncertainties in relation to the potential impact of the pandemic on future cash flows. Assessing the fair value of investment property involves uncertainties around underlying assumptions given the constantly changing nature of the situation. Refer to note C3 for an outline of the Fund's investment property valuation methodologies, as well as additional sensitivity analysis performed around the fair valuation of properties in response to the onset of the pandemic.

Financial instruments

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

A3 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 2019 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated financial statements.

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

During the year, the Fund decreased its equity accounted stakes in Centuria Office REIT ('COF') and Centuria Industrial REIT ('CIP') to below 20% and these investments have since been accounted for as financial assets carried at fair value through profit or loss. Refer Note E1 for further details.

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

New Accounting Standards

The Group has applied new accounting standards and their impact is disclosed in Note A4. 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.

A4 Adoption of new accounting standards and interpretations

(a) AASB 16 Leases

(i) Nature of change

AASB 16 *Leases* was issued in February 2016. It has resulted in 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.

(ii) Impact

The standard affects primarily the accounting for the Fund's operating leases. As at the reporting date, the Fund does not have non-cancellable operating lease commitments. Accordingly, the standard has no impact on the Fund's profit and classification of cash flows.

(iii) Impact as lessor

The Fund leases out its investment property and has classified these leases as operating leases. The Fund is not required to make any adjustment on transition to AASB 16 for leases in which it acts as lessor.

A5 Other new accounting standards and interpretations

A number of new accounting standards have been published that are not effective for the 30 June 2020 reporting period. The Fund has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

AASB 2018-6

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

AASB 2018-7

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

AASB 2014-10

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

A6 Use of judgements and estimates

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

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

- Note C3 Investment properties
- Note F1 Financial instruments

A7 Going Concern

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

The COVID-19 pandemic creates uncertainty on the global and local financial markets. The Fund has completed an extensive assessment on its key investments and receivables and the directors remain confident that the Fund will be able to continue as a going concern. Refer to note C1

B Business performance

B1 Revenue

	2020 \$'000	2019 \$'000
Rent	12,691	14,653
Recoverable outgoings	3,747	4,328
Distribution revenue	21,801	6,735
Interest revenue	11,424	8,809
Other income	66	925
	49,729	35,450

(a) Transactions with related parties

	2020 \$	2019 \$
Distributions from Property Funds managed by Centuria	18,863,903	2,121,706
Interest income on loan to Centuria Finance Pty Limited	10,935,131	8,451,173
Interest income on loans to Property Funds managed by Centuria	229,297	36,958
Distributions and interest from Debt Funds managed by Centuria	-	202,062
	30,028,331	10,811,899

Recognition and measurement

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 performance to date.

(i) Interest revenue

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

(ii) Rent

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease.

(iii) Recoverable outgoings

The Fund 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 invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of financial performance within the same reporting period and billed annually.

Recoverable outgoings were recognised on an accruals basis based on the contract terms under AASB 118 and on an overtime basis under AASB 15.

(iv) Distribution revenue

Distribution revenue from investments is recognised when the shareholder's right to receive payment has been established (provided that it is probable that the economic benefits will flow to the Fund and the amount of revenue can be measured reliably).

Business performance

B2 Expenses

	2020 \$'000	2019 \$'000
Consulting and professional fees	223	188
Property outgoings and fund expenses	8,645	10,996
Corporate restructure and transaction costs	125	2,782
Other expenses	42	23
	9,035	13,989

(a) Transactions with related parties

	2020 \$	2019 \$
Management and custodian fees paid to Centuria Property Funds No. 2 Limited and Centuria Property Funds Limited and Centuria Healthcare Asset Management Limited	1,292,948	1,153,639
Management fees paid to Centuria Funds Management Limited	200,000	200,000
	1,492,948	1,353,639

B3 Finance costs

	2020 \$'000	2019 \$'000
Operating interest charges	12,769	13,845
Bank loans in Property Funds interest charges	3,091	4,636
	15,860	18,481

Recognition and measurement

The Fund's finance costs include interest expense recognised using the effective interest method.

Business performance

B4 Earnings per unit

	2020 Cents	2019 Cents
Basic earnings per unit	0.0	8.7
Diluted earnings per unit	0.0	8.1

The earnings used in the calculation of basic and diluted earnings per unit is the profit for the year attributable to unitholders of the Fund as reported in the consolidated statement of comprehensive income.

The weighted average number of ordinary units used in the calculation of basic and diluted earnings per units is as follows:

	2020	2019
Weighted average number of ordinary units (basic)	444,644,883	358,809,337
Weighted average number of ordinary units (diluted) ⁽ⁱ⁾	460,824,844	383,381,274

- (i) The weighted average number of ordinary units used in the calculation of diluted earnings per unit is determined:
- as if 30 June 2020 was the end of the performance period of the grants of Rights under the LTI plan issued by Centuria Capital Group. All Rights that would have vested if 30 June 2020 was the end of the performance period are deemed to have been issued at the start of the financial year.
 - as if 10,049,235 unexercised options with an exercise price of \$1.30 per option have been converted to ordinary units at the start of the financial year.

B5 Taxation

Under current tax legislation, Trusts are not liable for income tax, provided their unitholders are presently entitled to the taxable income of the Trust including realised capital gains each financial year.

B6 Distributions

	2020 Cents per unit	Total \$'000	2019 Cents per unit	Total \$'000
Distributions paid during the year				
Final year-end distribution	4.50	17,262	3.10	9,449
Interim distribution	2.80	12,567	3.40	13,038
Distributions declared during the year				
Final distribution ⁽ⁱ⁾	3.40	16,420	4.50	17,262
Distributions paid/declared distributions paid to Centuria Capital Fund unitholders ⁽ⁱⁱ⁾	10.70	46,249	11.00	39,749

⁽ⁱ⁾ The Fund declared a final distribution in respect of the year ended 30 June 2020 of 3.40 cents per unit. The final distribution had a record date of 30 June 2020 to be subsequently paid on 8 July 2020. The total amount payable of \$16,420,000 (2019: \$17,262,000) has been provided as a liability in these financial statements.

⁽ⁱⁱ⁾ In addition to the distributions paid to Centuria Capital Fund unitholders, the Fund paid distributions of \$3,375,000 to non-controlling interests.

C Assets and liabilities

C1 Receivables

	2020 \$'000	2019 \$'000
Receivables from related parties (refer to note C1(a))	6,752	26,952
Other receivables	577	628
	7,329	27,580

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

(a) Receivables from related parties

The following amounts owed by related parties of the Fund at the end of the financial year:

	2020 \$	2019 \$
Distribution receivable from Centuria Industrial REIT	3,080,712	2,858,271
Distribution receivable from Centuria Office REIT	3,383,335	2,715,823
Intercompany receivable from Corporate entities within Centuria Capital Group	-	5,188,638
Distribution receivable from Centuria Scarborough House Fund	697	699
Receivables from Debt Funds managed by Centuria	-	78,571
Distribution receivable from Centuria Heathley Aged Care Fund No. 1	114,544	-
Distribution receivable from Centuria Heathley Direct Medical Fund No. 2	18,515	-
Redemption funds receivable from Centuria Diversified Property Fund	-	16,000,000
Distribution receivable from Centuria Diversified Property Fund	154,464	110,393
	6,752,267	26,952,395

Recognition and measurement

Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment. Due to the short-term nature of these financial rights, their carrying amounts are estimated to represent their fair values.

C2 Financial assets at fair value

	Notes	2020 \$'000	2019 \$'000
Investments in trusts and other financial assets		2,416	2,840
Loans receivable from other parties ⁽ⁱ⁾		6,702	6,066
Investment in related party unit trusts	C2(a)	378,639	11,694
Loans receivable from related parties	C2(b)	193,913	95,937
		581,670	116,537

⁽ⁱ⁾ This is an unsecured loan to a third party which accrues 10% interest per annum

Assets and liabilities

C2 Financial assets at fair value (continued)

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

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

	Fair value \$	2020 Units held	Ownership %	Fair value \$	2019 Units held	Ownership %
Financial assets held by the Fund						
Centuria Industrial REIT*	208,895,316	65,897,576	16.46%	-	-	0%
Centuria Office REIT*	153,580,584	76,029,992	14.78%	-	-	0%
Centuria Diversified Property Fund**	-	-	0%	11,591,312	8,060,718	14.92%
Centuria Heathley Aged Care Property Fund No. 1	5,748,988	5,513,559	9.21%	-	-	0%
Centuria Heathley Direct Medical Fund No. 2	10,305,433	11,025,391	7.48%	-	-	0%
Centuria Life Goals - Various Funds	11,096	-	0%	-	-	0%
Centuria Scarborough House Fund	97,530	102,836	0.22%	102,826	102,826	0.22%
	<u>378,638,947</u>			<u>11,694,138</u>		

* These investments which were previously equity accounted are now held as related party investments for the year ended 30 June 2020. See Note E1 for details. Also, see below for a movement of the related party unit trusts during the year.

** Centuria Diversified Property Fund, previously held as related party investments is equity accounted for the year ended 30 June 2020. See Note E1 for details.

Assets and liabilities

C2 Financial assets at fair value (continued)

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

	2020 \$'000	2019 \$'000
Related party unit trusts carried at fair value through profit and loss		
Opening balance	11,694	203,091
Investments purchased	111,831	133,460
Return of investment	-	(3,470)
Disposal	(37,554)	(16,000)
Fair value gain/(loss)	(92,389)	(2,673)
Carrying value transferred from/(to) equity accounted investments	321,175	(302,714)
Fair value gain on discontinuation of equity accounting	63,882	-
	378,639	11,694

(b) Loans receivable from related parties

The following short-term loans were receivable from related parties of the Fund at the end of the financial year:

	2020 \$	2019 \$
Centuria Finance Pty Limited	152,537,093	95,936,587
Centuria New Zealand Holdings Limited	41,376,387	-
	193,913,480	95,936,587

Recognition and measurement

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned. Financial assets are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss ("FVTPL"), which are initially measured at fair value only.

Financial assets are classified as financial assets at FVTPL when the financial asset is either held for trading or it is designated as at fair value through profit or loss.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the statement of comprehensive income.

AASB 9 contains three principal classification categories for financial assets:

- measured at amortised cost;
- measured at fair value through other comprehensive income (FVOCI); and
- measured at fair value through profit and loss (FVTPL).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

C2 Financial assets at fair value (continued)

Recognition and measurement (continued)

(i) Financial assets at amortised cost

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the Expected Credit Loss ("ECL") model.

(ii) Recoverability of loans and receivables

At each reporting period, the Fund 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 Fund 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 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 Fund in accordance with the contract and the cash flows that the Fund expects to receive.

The Fund 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.

Given that COVID-19 is an ongoing situation, the Fund has continued to analyse the age of outstanding receivable balances post balance sheet date and applied estimated percentages of recoverability to estimate ECL, as well as the financial stress of counterparties and their ability to operate as a going concern. Debts that are known to be uncollectible are written off when identified.

(iii) Financial assets at FVTPL

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset (unless it is a trade receivable without a significant financing component that is initially measured at the transaction price) is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

Financial assets at FVTPL are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. Financial assets recognised at FVTPL include investments in trusts.

Assets and liabilities

C3 Investment properties

	2020 \$'000	2019 \$'000
Opening Balance	177,500	147,100
Acquisition of investment properties	15,116	-
Capital improvements and associated costs	4,660	1,726
Loss on fair value	(6,141)	(10,705)
Change in deferred rent and lease incentives	(525)	(621)
Sale of investment property	(23,500)	-
Transfer from investment properties held for sale	-	40,000
Closing balance	167,110	177,500

Property	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 Capitalisation rate %	30 June 2020 Discount rate %	30 June 2020 valuer
111 St George Terrace, Perth WA	155,000	150,000	6.75%	7.00%	Colliers
120 and 122 Spencer St, South Bunbury WA	6,500	-	6.50%	-%	Colliers
8-10 Warneford St, Sandy Bay TAS	5,610	-	7.00%	7.50%	Directors
City Centre Plaza, Rockhampton Qld	-	27,500	-%	-%	
Total fair value	167,110	177,500			

Key estimate and judgements

(a) Recognition and measurement

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

Investment properties are held by the funds 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.

(b) Valuation techniques and significant unobservable inputs

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

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

C3 Investment properties (continued)

(b) Valuation techniques and significant unobservable inputs (continued)

The valuations were prepared by considering the following valuation methodologies:

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

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

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

(c) Fair value measurement

The fair value measurement of investment properties has been categorised as a Level 3 fair value as it is derived from valuation techniques that include inputs that are not based on observable market data (unobservable inputs).

Significant unobservable inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input	Range of inputs FY20
Market rent	Increase	Decrease	\$428,000 psm to \$572,000 psm
Capitalisation rate	Decrease	Increase	6.5% to 7.0%
Discount rate	Decrease	Increase	7.00%% to 7.25%

Capitalisation and discount rates are considered significant Level 3 inputs. Refer to Note F1 for further information.

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

	Fair value at 30 June 2020 \$000	Capitalisation rate impact -0.25% \$000	+0.25% \$000
Investment property	167,110	6,429	(5,970)

C3 Investment properties (continued)

(c) Fair value measurement (continued)

Given the unknown future impact that COVID-19 might have on the commercial real estate market and global market in general, coupled with a lower interest rate environment, a higher degree of judgement and consideration needs to be made in assessing the significant inputs that determine property valuations. Management and external valuers acknowledge current valuations are subject to 'material valuation uncertainty' as a consequence of this. A reduction in transaction volumes have made direct comparison as a method more difficult. It is also challenging to determine the full impact on Net Passing Income to the property for future periods as management continue to negotiate rent relief agreements with tenants that fall within the national code. To date, there has been little evidence to suggest that capitalisation and discount rates have softened since the COVID-19 pandemic hit. As the COVID-19 pandemic progresses, management have continued to re-assess the valuation method to ensure appropriate considerations in relation to inputs used.

Assets and liabilities

C4 Payables

	2020 \$'000	2019 \$'000
Sundry creditors ⁽ⁱ⁾	6,521	8,012
Distribution Payable	16,420	17,262
Accrued expenses	590	366
	23,531	25,640

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

Recognition and measurement

Payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services. Due to the short-term nature of these financial obligations, their carrying amounts are estimated to represent their fair values.

C5 Borrowings

	Notes	2020 \$'000	2019 \$'000
Fixed rate secured notes	C5(a)	95,000	130,000
Floating rate secured notes	C5(a)	75,000	75,000
Bank loans in Property Funds	C5(b)	85,920	94,309
Borrowing costs capitalised		(2,709)	(2,393)
		253,211	296,916

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

(a) Secured notes

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

	Classification	Coupon Rate	Due Date	2020 \$'000	2019 \$'000
Fixed					
Tranche 1	Current	7.0%	21 Apr 2021	30,708	85,000
Tranche 2	Non-current	6.5%	21 Apr 2023	45,000	45,000
Tranche 3	Non-current	5.0%	21 Apr 2024	19,292	-
				95,000	130,000
	Classification	Coupon rate	Due date	\$'000	\$'000
Variable					
Tranche 1	Current	BBSW +4.5%	21 Apr 2021	26,040	40,000
Tranche 2	Non-current	BBSW +4.25%	21 Apr 2023	35,000	35,000
Tranche 3	Non-current	BBSW +4.5%	21 Apr 2024	13,960	-
				75,000	75,000

Assets and liabilities

C5 Borrowings (continued)

(b) Bank Loans - Property Funds (secured)

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

Fund	Current/non-current classification	Maturity date	Facility limit \$'000	Funds available \$'000	Draw down \$'000	Borrowing costs \$'000	Draw down \$'000
30 June 2020							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	6,644	83,356	(193)	83,163
Nexus Property Unit Trust	Non-current	4 December 2022	2,805	-	2,805	(48)	2,757
							85,920
30 June 2019							
Centuria 111 St Georges Terrace Fund	Non-current	30 June 2022	90,000	10,521	79,479	(107)	79,372
Centuria Retail Fund	Current	31 December 2019	14,938	-	14,938	(1)	14,937
							94,309

Recognition and measurement

Borrowings are initially recognised at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest rate method.

C6 Contributed equity

	2020		2019	
	No. of units	\$'000	No. of units	\$'000
Balance at beginning of the period	383,557,332	343,438	304,793,174	244,930
Equity settled share based payment expense	1,529,427	-	1,747,653	-
Units issued	124,911,723	205,216	77,016,505	70,696
Cost of equity raising	-	(2,910)	-	(2,188)
Special non-cash dividend/ capital reallocation ⁽ⁱ⁾	-	-	-	30,000
Balance at end of the period	509,998,482	545,744	383,557,332	343,438

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

On 29 June 2017, the Group issued 20,098,470 options to subscribe for stapled securities. The options have an exercise price of \$1.30 per stapled security and expire on 29 June 2022. Half of these options (10,049,235) were exercised on 31 December 2019.

⁽ⁱ⁾ On 29 June 2019, a non-cash dividend was paid by Centuria Capital Limited of \$30,000,000 which was reinvested as capital into Centuria Capital Fund.

The Group has recognised the issuance of [27,021,424] stapled securities on 30 June 2020 in satisfaction of the scrip component of the offer consideration for the acquisition of a [40.66%] interest in Augusta Capital Limited. The securities were issued at a price of \$1.8175 based on the listed security price of the Group at 30 June 2020.

Recognition and measurement

Incremental costs directly attributed to the issue of ordinary units are accounted for as a deduction from equity.

D Cash flows

D1 Reconciliation of profit for the period to net cash flows from operating activities

	2020 \$'000	2019 \$'000
Profit for the year	1,131	31,327
Add (deduct) non-cash items:		
Loss/(gain) on investment property	6,260	10,694
Equity accounted profit in excess of distributions paid	124	(8,444)
Fair value movement of financial instruments	23,329	(10,803)
Non-cash interest capitalised on related party loan	(10,935)	1,862
Costs paid for debt issuance	-	1,727
Amortisation of borrowing costs	1,412	799
Amortisation of lease incentives	1,665	1,602
Changes in net assets and liabilities:		
(Increase)/decrease in assets:		
Decrease/(Increase) in Receivables	(1,524)	464
Increase/(decrease) in liabilities:		
Increase/(Decrease) in Other Payables	(3,500)	(4,222)
Net cash flows provided by operating activities	17,962	25,006

Recognition and measurement

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in value and have a maturity of three months or less at the date of acquisition. Bank overdrafts are shown within borrowings in the statement of financial position.

E Group Structure

E1 Interests in associates

During the year, the Fund's investment in Centuria Office REIT (COF) and Centuria Industrial REIT (CIP) reduced below 20% and the Fund no longer had significant influence over COF and CIP. As a result, these investments which were previously accounted for as equity accounted investments using the equity method, are now recognised as financial assets at fair value as at 30 June 2020.

Set out below are the associates of the Fund as at 30 June 2019 which, in the opinion of the directors, were material to the Fund and were accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Fund. The country of incorporation or registration is Australia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

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

Name of entity	% of ownership interest	% of ownership interest	Principal activity	Quoted fair value		Carrying amount	
	30 June 2020	30 June 2019		30 June 2020	30 June 2019	30 June 2020	30 June 2019
	%	%		\$'000	\$'000	\$'000	\$'000
Centuria Office REIT	0.00	17.49	Property investments	-	180,828	-	155,355
Centuria Industrial REIT	0.00	22.94	Property investments	-	187,266	-	174,217
Centuria Diversified Property Fund	22.68	0.00	Property Investments	31,830	-	31,830	-
Total equity accounted investments				31,830	368,094	31,830	329,572

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

	Centuria Diversified Property Fund \$'000	Centuria Office REIT \$'000	Centuria Industrial REIT \$'000	Total \$'000
Movements in carrying amounts of equity accounted investments				
Opening Balance as at 1 July 2019	-	155,355	174,217	329,572
Acquisition of Investments	-	7,500	12,977	20,477
Share of net (Loss)/profit after tax	(502)	2,347	6,287	8,132
Distributions received/receivable	502	(2,773)	(2,905)	(5,176)
Carrying value transferred from/ (to) financial assets	31,830	(162,429)	(190,576)	(321,175)
Closing balance as at 30 June 2020	31,830	-	-	31,830

Group Structure

E1 Interests in associates (continued)

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2018 to 30 June 2019.

	Centuria Office REIT \$'000	Centuria Industrial REIT \$'000	Total \$'000
Movement in carrying amount of equity account investments			
Opening balance as at 1 July 2019	-	-	-
Carrying value transferred from financial assets	151,433	151,281	302,714
Disposal	-	(5,420)	(5,420)
Investment	-	23,243	23,243
Share of net profit after tax	12,069	16,169	28,238
Distribution received/ receivable	(8,147)	(11,056)	(19,203)
Closing balance as at 30 June 2020	155,355	174,217	329,572

(a) Summarised financial information for associates and joint ventures

The tables below provide summarised financial information for those associates that are material to the Fund. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant associates and not the Fund's share of those amounts.

	Centuria Diversified Property Fund		Centuria Office REIT		Centuria Industrial REIT	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Summarised balance sheet						
Cash and other cash equivalents	18,013	-	-	17,546	-	9,348
Investment properties held for sale	-	-	-	78,500	-	11,400
Other current assets	11,633	-	-	5,544	-	9,144
Total current assets	29,646	-	-	101,590	-	29,892
Non-current assets	166,588	-	-	1,321,475	-	1,209,850
Total tangible non-current assets	166,588	-	-	1,321,475	-	1,209,850
Other current liabilities	3,812	-	-	30,451	-	28,724
Total current liabilities	3,812	-	-	30,451	-	28,724
Borrowings	64,988	-	-	497,222	-	468,431
Other non-current liabilities	351	-	-	7,180	-	3,541
Total non-current liabilities	65,339	-	-	504,402	-	471,972
Net tangible assets	127,083	-	-	888,212	-	739,046
Fund share in %	22.68%	-	-	17.49%	-	22.94%
Fund's share	28,822	-	-	155,355	-	501,894
Goodwill	3,008	-	-	-	-	13,818
Carrying amount	31,830	-	-	155,355	-	515,712

Group Structure

E1 Interests in associates (continued)

(a) Summarised financial information for associates and joint ventures (continued)

	Centuria Diversified Property Fund		Centuria Office REIT		Centuria Industrial REIT	
Summarised statement of comprehensive income	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Revenue	10,919	-	-	108,859	-	93,863
Interest income	24	-	-	334	-	195
Other income	-	-	-	8	-	602
Net gain on fair value of investment properties	(10,919)	-	-	7,143	-	53,808
Finance costs	(1,233)	-	-	(22,110)	-	(21,496)
Loss on fair value of derivative financial instruments	(351)	-	-	(6,752)	-	(3,581)
Other expenses	(3,699)	-	-	(33,910)	-	(34,563)
(Loss)/Profit for the period	(5,259)	-	-	53,572	-	88,828
Other comprehensive income	-	-	-	-	-	-
Total comprehensive (Loss)/income	(5,259)	-	-	53,572	-	88,828

E2 Business combination

(a) Current year

During the current period, there were no business combinations.

(b) Prior year

During the prior period, there were no business combinations.

Group Structure

E3 Interests in subsidiaries

The Fund's principal subsidiaries at 30 June 2020 are set out below. Unless otherwise stated, they have issued capital consisting solely of ordinary units that are held directly by the Fund, and the proportion of ownership interests held equals the voting rights held by the Fund. The subsidiaries are incorporated in Australia which is also their principal place of business.

Name of subsidiary	Ownership interest %	
	30 June 2020	30 June 2019
Canturia Capital No. 2 Fund	100%	100%
Centuria Capital No. 2 Office Fund	100%	100%
Centuria Capital No. 2 Industrial Fund	100%	100%
Centuria Capital No. 3 Fund	100%	100%
Centuria Capital No. 5 Fund	100%	100%
Centuria Capital Health Fund	100%	0%
Centuria Healthcare Property Fund	100%	0%
Centuria Capital No. 7 Fund	100%	100%
Centuria Capital No. 4 Fund	100%	0%
Centuria Lane Cove Debt Fund	100%	0%
Nexus Property Unit Trust	59%	0%
Centuria Capital No. 6 Fund	100%	0%

Recognition and measurement

(i) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Fund and entities controlled by the Fund (subsidiaries). The Fund controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Group Structure

E4 Parent entity disclosure

As at, and throughout the current financial year, the parent entity of the Fund was Centuria Capital Fund.

	2020	2019
	\$'000	\$'000
Result of parent entity		
Profit or loss for the year	28,929	34,271
Total comprehensive income for the year	28,929	34,271
Financial position of parent entity at year end		
Total assets	564,465	363,076
Total liabilities	(16,441)	(17,297)
Net assets	548,024	345,779

The parent entity presents its assets and liabilities in order of liquidity. The assets of the parent entity mainly consist of cash, short term receivables and financial assets. The liabilities of the parent entity mainly consist of short term payables.

Total equity of the parent entity comprising of:

Share capital	545,743	343,439
Retained earnings/(loss)	2,281	2,340
Total equity	548,024	345,779

(a) Guarantees entered into by the parent entity

The parent entity has, in the normal course of business, entered into guarantees in relation to the debts of its subsidiaries during the financial year

(b) Commitments and contingent liabilities of the parent entity

The directors of the Company are not aware of any other contingent liabilities in relation to the parent entity, other than those disclosed in the financial statements.

F Other

F1 Financial instruments

(a) Management of financial instruments

The Board is ultimately responsible for the Risk Management Framework of the Fund.

The Fund employs a cascading approach to managing risk, facilitated through delegation to specialist committees and individuals within the Fund.

The Fund is exposed to a variety of financial risks as a result of its activities. These risks include market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Fund's risk management and investment policies, approved by the Board, seek to minimise the potential adverse effects of these risks on the Fund's financial performance. These policies may include the use of certain financial derivative instruments.

The Fund uses interest rate swaps to manage interest rate risk and not for speculative purposes in any situation. Hedging is put in place where the Fund is either seeking to minimise or eliminate cash-flow variability, i.e., converting variable rates to fixed rates, or changes in the fair values of underlying assets or liabilities, i.e., to convert fixed rates to variable rates.

(b) Capital risk management

The Fund manages its capital to ensure that entities in the Fund will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of debt and equity capital.

The Fund's capital structure consists of net debt (borrowings, offset by cash and cash equivalents) and equity of the Fund (comprising issued capital, reserves and retained earnings).

The Fund carries on business throughout Australia, primarily through subsidiary companies that are established in the markets in which the Fund operates.

Operating cash flows are used to maintain and, where appropriate, expand the Fund's funds under management as well as to make the routine outflows of tax, dividends and repayment of maturing debt. The Fund reviews regularly its anticipated funding requirements and the most appropriate form of funding (capital raising or borrowings) depending on what the funding will be used for.

(c) Fair value of financial instruments

(i) Valuation techniques and assumptions applied in determining fair value

The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).

The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments. Discount rates are determined based on market rates applicable to the financial asset or liability.

(ii) Valuation techniques and assumptions applied in determining fair value of derivatives

The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives.

(iii) Fair value measurements recognised in the statement of financial position

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

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

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

F1 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

(iii) Fair value measurements recognised in the statement of financial position (continued)

- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

30 June 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	53,059	53,059
Receivables	Amortised cost	Not applicable	7,329	7,329
Financial assets	Fair value	Level 1	362,475	362,475
Financial assets	Fair value	Level 2	219,195	219,195
			<u>642,058</u>	<u>642,058</u>
Financial liabilities				
Payables	Amortised cost	Not applicable	23,531	23,531
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	253,211	253,211
Interest rate swaps at fair value	Fair value	Level 2	636	636
			<u>277,378</u>	<u>277,378</u>
30 June 2019	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	68,018	68,018
Receivables	Amortised cost	Not applicable	27,580	27,580
Financial assets	Fair value	Level 2	116,537	116,537
			<u>212,135</u>	<u>212,135</u>
Financial liabilities				
Payables	Amortised cost	Not applicable	25,640	25,640
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	296,916	303,429
Interest rate swaps at fair value	Fair value	Level 2	731	731
Total			<u>323,287</u>	<u>329,800</u>

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

Recognition and measurement

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

F1 Financial instruments (continued)

(c) Fair value of financial instruments (continued)

Recognition and measurement (continued)

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

(d) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Fund. The Fund has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security, where appropriate, as a means of mitigating risk of financial loss from default. The credit risk on financial assets of the Fund and the parent recognised in the statement of financial position is generally the carrying amount, net of allowance for impairment loss.

Concentration of risk may exist when the volume of transactions limits the number of counterparties.

(i) Credit risk on other financial assets

Credit risk on other financial assets such as investments in floating rate notes, standard discount securities and unit trusts is managed through strategic asset allocations with creditworthy counterparties and the on-going monitoring of the credit quality of investments, including the use of credit ratings issued by well-known rating agencies. The exposure of credit risk in respect of financial assets is minimal.

The Fund does not have any significant credit risk exposure to any single entity in other financial assets or any group of counterparties having similar characteristics.

(e) Liquidity risk

The Fund's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities.

The liquidity risk is managed for the Fund at a corporate level. Bank account balances across all entities, current and future commitments, and expected cash inflows are reviewed in detail when the monthly cash flow projection is prepared for management purposes and presented to the Board at its regular monthly meetings. By comparing the projected cash flows with the assets and liabilities shown in the individual and consolidated statements of financial position, which are also prepared on a monthly basis for management purposes and presented to the Board, liquidity requirements for the Fund can be determined. Based on this review, if it is considered that the expected cash inflows plus liquidity on hand, may not be sufficient in the near term to meet cash outflow requirements, including repayment of borrowings, a decision can be made to carry out one or more of the following:

- renegotiate the repayment terms of the borrowings;
- sell assets that are held on the statement of financial position; and/or
- undertake an equity raising.

This, combined with a profitable business going forward, should ensure that the Fund continues to meet its commitments, including repayments of borrowings, as and when required.

F1 Financial instruments (continued)

(e) Liquidity risk (continued)

The following table summarises the Fund's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Fund and the parent can be required to pay. The tables include both interest and principal cash flows. To the extent that interest flows are at floating rate, the undiscounted amount is derived from interest rate curves at the end of the reporting period.

	On Demand	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-derivative financial liabilities						
Consolidated						
2020						
Borrowings	-	686	65,350	214,686	-	280,722
Payables	-	23,531	-	-	-	23,531
Total	-	24,217	65,350	214,686	-	304,253
2019						
Borrowings	-	1,015	29,368	311,222	-	341,605
Payables	-	25,640	-	-	-	25,640
Total	-	26,655	29,368	311,222	-	367,245

The following table summarises the maturing profile of derivative financial liabilities. The table has been drawn up based on the undiscounted net cash flows on the derivative instruments that settle on a net basis.

	On Demand	Less than 3 months	3 months to 1 year	1-5 years	5+ years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Derivative financial liabilities						
Consolidated						
2020						
Interest rate swaps	-	-	640	(4)	-	636
Total	-	-	640	(4)	-	636
2019						
Interest rate swaps	-	-	664	67	-	731
Total	-	-	664	67	-	731

F1 Financial instruments (continued)

(f) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises interest rate risk and price risk. Due to the nature of assets held by the Fund, there is an asset and liability management process which determines the interest rate sensitivity of the statement of financial position and the implementation of risk management practices to hedge the potential effects of interest rate changes.

(i) Interest rate risk management

The Fund is exposed to interest rate risk because entities in the Fund borrow funds at floating interest rates. Management of this risk is evaluated regularly and interest rate swaps are used accordingly.

The tables below detail the Fund's interest bearing financial assets and liabilities.

	Weighted average effective interest rate	Variable rate \$'000	Fixed rate \$'000	Total \$'000
2020				
Financial assets				
Cash and cash equivalents	0.10%	53,059	-	53,059
Other interest bearing loans	8.32%	193,913	6,702	200,615
Total financial assets		246,972	6,702	253,674
Financial liabilities				
Borrowings	4.28%	(158,211)	(95,000)	(253,211)
Total financial liabilities		(158,211)	(95,000)	(253,211)
Net interest bearing financial liabilities		88,761	(88,298)	463

	Weighted average effective interest rate	Variable rate \$'000	Fixed rate \$'000	Total \$'000
2019				
Financial assets				
Cash and cash equivalents	1.23%	68,018	-	68,018
Other interest bearing loans	9.06%	95,937	6,066	102,003
Total financial assets		163,955	6,066	170,021
Financial liabilities				
Borrowings	5.29%	(166,916)	(130,000)	(296,916)
Total financial liabilities		(166,916)	(130,000)	(296,916)
Net interest bearing financial liabilities		(2,961)	(123,934)	(126,895)

F1 Financial instruments (continued)

(f) Market risk (continued)

(ii) Interest rate swap contracts

Under interest rate swap contracts, the Fund agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Fund to mitigate the risk of changing interest rates on the fair value of fixed rate financial assets held and the cash flow exposures on the issued variable rate debt.

The following table details the notional principal amounts and remaining expiry of the Fund's outstanding interest rate swap contracts as at reporting date. These swaps are at fair value through profit and loss.

	Average contracted rate		Notional principal amount		Fair value	
	2020	2019	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Pay fixed for floating contracts						
Interest rate swaps	1.11%	1.36%	70,000	84,815	(636)	(731)
			<u>70,000</u>	<u>84,815</u>	<u>(636)</u>	<u>(731)</u>

(iii) Interest rate sensitivity

The sensitivity analysis below has been determined based on the parent and the Fund's exposure to interest rates at the balance 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. A 100 basis point (1%) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

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

	Change in variable		Effect on profit	
	2020	2019	2020 \$'000	2019 \$'000
Consolidated				
Interest rate risk	+0.25%	+1%	389	2,500
Consolidated				
Interest rate risk	-0.25%	-1%	(389)	(2,516)

The methods and assumptions used to prepare the sensitivity analysis have not changed in the year. The sensitivity analysis takes into account interest-earning assets and interest-bearing liabilities attributable to the shareholders only, and does not take into account the bank bill facility margin changes.

F2 Remuneration of auditors

Amounts received or due and receivable by KPMG:

	2020 \$	2019 \$
Audit and review of the financial report	<u>15,225</u>	<u>15,606</u>

F3 Events subsequent to the reporting date

In addition to the issuance of 27,021,424 stapled securities in the Group which were recognised as at 30 June 2020 in respect of the acquisition of Augusta, the Group has subsequently issued a further 22,405,357 stapled securities for the additional Augusta shares that have been acquired to the date of this report. The Group's ownership of Augusta at the date of this report has increased to 96.4%.

Since balance date, the COVID-19 pandemic has continued to evolve with potential impacts on specific areas of judgement applied in preparing these financial statements.

Victoria has reported increasing numbers of COVID-19 cases since early July 2020 and the Victorian government has subsequently announced a stage-4 lock-down for Melbourne commencing from 2 August 2020 to 13 September 2020.

On 21 July the Government announced it is extending the JobKeeper Payment for a further six months until end of March 2021 to support businesses who continue to be significantly impacted by COVID-19.

The Group has continued to re-evaluate the potential impacts of the pandemic on significant inputs and key areas of judgement as outlined in Note A2. Based on these evaluations, the Group has determined there are no material events which would give rise to an adjustment.

Other than the above, there has not arisen in the interval between 30 June 2020 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial periods.

Directors' declaration

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

- (a) the consolidated financial statements and notes set out on pages 9 to 43, are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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.



Mr Garry S. Charny
Director



Mr Peter J. Done
Director

Sydney
12 August 2020



Independent Auditor's Report

To the unitholders of Centuria Capital Fund

Opinion

We have audited the Financial Report of Centuria Capital Fund (the Fund Financial Report).

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

- giving a true and fair view of the Fund's financial position as at 30 June 2020 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 of the Fund comprises the:

- Consolidated balance sheet as at 30 June 2020;
- Consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The Stapled Group consists of Centuria Capital Limited and the entities it controlled at year-end or from time to time during the financial year and Centuria Capital Fund (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 Fund and Centuria Funds Management Limited (the Responsible Entity) 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.

Other Information

Other Information is financial and non-financial information in Centuria Capital Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

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 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 Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our Auditor's Report.


KPMG


Nigel Virgo

Partner

Sydney

12 August 2020

Additional stock exchange information

The unitholder information set out below was applicable as at 31 July 2020.

Distribution of units

Analysis of numbers of unitholders by size of holding:

Holding	Total holders	Units
1 - 1000	1,062	512,964
1,001 - 5,000	4,099	10,185,886
5,001 - 10,000	981	6,944,638
10,001 - 100,000	1,116	30,742,547
100,001 and over	146	469,719,052
	7,404	518,105,087

There were 280 holders of less than a marketable parcel of units holding 32,887 units.

Top 20 unitholders

The names of the twenty largest unitholders are listed below:

	Number held	Percentage of issued units
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	92,223,039	17.80
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	88,592,543	17.10
PERPETUAL CORPORATE TRUST LTD <ESR PTE LTD AC>	63,890,587	12.33
CITICORP NOMINEES PTY LIMITED	33,239,554	6.42
ESR PTE LTD	32,368,569	6.25
THE TRUST COMPANY (AUSTRALIA) LIMITED <A/C 4>	23,432,165	4.52
NATIONAL NOMINEES LIMITED	22,409,493	4.32
BNP PARIBAS NOMS PTY LTD <DRP>	17,700,754	3.42
GH 2016 PTY LIMITED <HARVEY 2006 OPTION A/C>	9,536,034	1.84
BNP PARIBAS NOMS (NZ) LTD <DRP>	8,893,666	1.72
MARK EDWARD FRANCIS & ROCKRIDGE TRUSTEE COMPANY LIMITED	5,779,411	1.12
HWM (NZ) HOLDINGS LIMITED	4,870,000	0.94
RESOLUTE FUNDS MANAGEMENT <HANOVER GRP STAFF SUPER A/C>	4,244,364	0.82
PARITAI PTY LIMITED <PARITAI A/C>	3,477,066	0.67
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,270,454	0.63
BRYSHAW MANAGEMENT PTY LTD <BRYSHAW A/C>	2,939,287	0.57
HSBC NOMINEES (NEW ZEALAND) LIMITED	2,702,659	0.52
PARSONAGE PROVIDENT P/L <PARSONAGE PROVIDENT FUND A/C>	2,215,115	0.43
CICERONE CAPITAL PTY LTD <MELBURGP A/C>	2,131,028	0.41
KAWAROA TRUSTEE LIMITED <KAWAROA A/C>	1,979,348	0.38
	425,895,136	82.21

Substantial holders

	Number held	Percentage of units held
ESR Pte. Ltd	96,259,156	18.58%
Moelis Australia Limited	29,528,529	6.11%
BlackRock Group	26,912,716	5.57%
	152,700,401	30.26%

Substantial holders (continued)

Voting rights

All ordinary units carry one vote per unit without restriction.