

## **Centuria Capital No. 2 Fund Interim Financial Report for the half year ended 31 December 2022**

Centuria Capital No. 2 Fund comprises of Centuria Capital No. 2 Fund ARSN 613 856 358 (the 'Fund') and its subsidiaries. The Trustee of the Fund is Centuria Funds Management Limited (the 'Company') ACN 607 153 588, AFSL 479 873.

**Centuria Capital No. 2 Fund**  
**Interim Financial Report - 31 December 2022**

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These consolidated interim financial statements are the interim financial statements of the consolidated entity consisting of Centuria Capital No. 2 Fund and its subsidiaries. The interim financial statements are presented in the Australian currency.

Centuria Capital No. 2 Fund is a trust, registered and domiciled in Australia. Its registered office and principal place of business is:

Centuria Capital No. 2 Fund  
Level 41, Chifley Tower 2 Chifley Square  
Sydney NSW 2000

The consolidated interim financial statements were authorised for issue on 7 February 2023.

## Directors' report

The directors of Centuria Funds Management Limited (the 'Company') as the Trustee for Centuria Capital No. 2 Fund (the 'Fund') present their interim report together with the consolidated interim financial statements of the Fund and its controlled entities (the 'Fund') for the half year ended 31 December 2022 and the auditor's review report thereon.

Centuria Capital No. 2 Fund is wholly owned by Centuria Capital Fund, however the secured listed redeemable note in CC2F is quoted and traded on the Australian Securities Exchange ('ASX') under the ticker code 'C2FHA'. As an outcome, CC2F is a disclosing entity.

### Directors

The following persons were directors of the Company during the whole of the half year and up to the date of this report:

Director	Role	Appointment Date
Mr Garry S. Charny	Independent Non-Executive Director and Chairman	8 August 2016
Ms Kristie R. Brown	Independent Non-Executive Director	15 February 2021
Mr Peter J. Done	Independent Non-Executive Director	8 August 2016
Mr Jason C. Huljich	Executive Director and Joint Chief Executive Officer	8 August 2016
Mr John E. McBain	Executive Director and Joint Chief Executive Officer	8 August 2016
Mr John R. Slater	Independent Non-Executive Director	8 August 2016
Ms Susan Wheeldon	Independent Non-Executive Director	31 August 2016

### Operating and financial review

The Fund's profit from continuing operations for the half year ended 31 December 2022 was \$31,146,000 (half year ended 31 December 2021: profit of \$63,969,000).

### Distributions

Distributions paid or declared by the Fund during the current half year were:

Distributions declared during the half year	Cents per unit	Total amount \$'000	Date declared
Interim 2023 distribution	1.45	22,740	31 December 2022

### Events subsequent to the reporting date

From 31 December 2022 to 7 February 2023, the fair value gain on investments in listed funds is \$48,250,000, with the share price in CIP moving from \$3.12 to \$3.52 and the share price in COF moving from \$1.53 to \$1.73.

In February 2023, the Fund received credit approval for a 5-year \$50,000,000 secured note facility. The facility is a floating rate revolving facility with a margin of 2.60%.

Other than the above, there has not arisen in the interval between 31 December 2022 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 Fund, the results of those operations, or the state of affairs of the Fund, in future financial periods.

### Likely development

The Fund continues to pursue its strategy of focusing on its core operations, utilising a 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 has policies and procedures to identify and appropriately address environmental obligations that might arise in respect of the Fund's operations that are subject to environmental laws and regulation. The Directors have determined that the Fund has complied with those obligations during the financial year and that there has not been any material breaches.

### Indemnification of officers and auditors

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

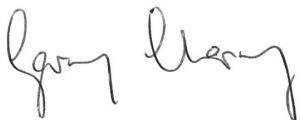
**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3.

**Rounding of amounts**

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

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



Mr Garry S. Charny  
Director



Mr Peter J. Done  
Director

Sydney  
7 February 2023



# 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 No.2 Fund

I declare that, to the best of my knowledge and belief, in relation to the review of Centuria Capital No.2 Fund for the half-year ended 31 December 2022 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

*KPMG*

KPMG

Paul Thomas

*Partner*

Sydney

7 February 2023

# Centuria Capital No. 2 Fund

## Interim financial report 31 December 2022

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# Consolidated interim statement of comprehensive income

For the half year ended 31 December 2022

		31 December 2022 \$'000	31 December 2021 \$'000
	Notes		
Revenue	B1	36,427	37,691
Share of net profit of equity accounted investments	D1	(1,062)	819
Fair value movements of financial instruments and property	B2	10,074	38,524
Expenses	B3	(39)	(3,755)
Finance costs	B4	(14,254)	(9,310)
<b>Profit after tax</b>		<b>31,146</b>	<b>63,969</b>
<b>Profit is attributable to:</b>			
Centuria Capital No. 2 Fund		31,146	60,551
Non-controlling interests		-	3,418
<b>Profit after tax</b>		<b>31,146</b>	<b>63,969</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>31,146</b>	<b>63,969</b>
<b>Total comprehensive income for the period is attributable to:</b>			
Centuria Capital No. 2 Fund		31,146	60,551
Non-controlling interests		-	3,418
<b>Total comprehensive income</b>		<b>31,146</b>	<b>63,969</b>
<b>Total comprehensive income for the period is attributable to unitholders of Centuria Capital No. 2 Fund</b>		<b>31,146</b>	<b>60,551</b>

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

# Consolidated interim balance sheet

As at 31 December 2022

		31 December 2022 \$'000	30 June 2022 \$'000
Notes			
<b>Assets</b>			
		22,328	16,812
		11,588	11,292
	C1	955,990	934,014
	C2	-	160,500
	C3	76,088	46,764
	D1	1,435	1,409
		<b>1,067,429</b>	<b>1,170,791</b>
<b>Liabilities</b>			
		37,167	49,752
	C4	421,738	475,431
	C5	<b>458,905</b>	<b>525,183</b>
<b>Net assets</b>			
		<b>608,524</b>	<b>645,608</b>
<b>Equity</b>			
<b>Equity attributable to Centuria Capital No. 2 Fund</b>			
		679,965	679,965
	C6	(71,441)	(79,847)
		<b>608,524</b>	<b>600,118</b>
<b>Equity attributable to external non-controlling interests</b>			
		-	12,798
		-	32,692
		<b>-</b>	<b>45,490</b>
<b>Total equity</b>			
		<b>608,524</b>	<b>645,608</b>

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



## Consolidated interim statement of changes in equity

For the half year ended 31 December 2022

	Centuria Capital No. 2 Fund		Equity attributable to Centuria Capital No. 2 Fund unitholders	Non-controlling interests			Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000		Contributed equity \$'000	Retained earnings \$'000	Total \$'000	
<b>Balance at 1 July 2022</b>	679,965	(79,847)	600,118	12,798	32,692	45,490	645,608
Profit for the period	-	31,146	31,146	-	-	-	31,146
<b>Total comprehensive income for the period</b>	-	<b>31,146</b>	<b>31,146</b>	-	-	-	<b>31,146</b>
Distributions paid/accrued	-	(22,740)	(22,740)	-	-	-	(22,740)
Deconsolidation of controlled property funds	-	-	-	(12,798)	(32,692)	(45,490)	(45,490)
<b>Balance at 31 December 2022</b>	<b>679,965</b>	<b>(71,441)</b>	<b>608,524</b>	-	-	-	<b>608,524</b>

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

# Consolidated interim statement of changes in equity

For the period ended 31 December 2021

	Centuria Capital No. 2 Fund		Equity attributable to Centuria Capital No. 2 Fund unitholders \$'000	Non-controlling interests			Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000		Contributed equity \$'000	Retained earnings \$'000	Total \$'000	
<b>Balance at 1 July 2021</b>	642,298	37,473	679,771	12,798	31,077	43,875	723,646
Profit for the period	-	60,551	60,551	-	3,418	3,418	63,969
<b>Total comprehensive income for the period</b>	-	<b>60,551</b>	<b>60,551</b>	-	<b>3,418</b>	<b>3,418</b>	<b>63,969</b>
Distributions paid/accrued	-	(23,422)	(23,422)	-	(2,048)	(2,048)	(25,470)
Units issued	64,778	-	64,778	3,085	-	3,085	67,863
Return of capital	(27,100)	-	(27,100)	-	-	-	(27,100)
Consolidation of controlled property funds	-	-	-	18,992	(961)	18,031	18,031
Deconsolidation of controlled property funds	-	-	-	(22,077)	961	(21,116)	(21,116)
<b>Balance at 31 December 2021</b>	<b>679,976</b>	<b>74,602</b>	<b>754,578</b>	<b>12,798</b>	<b>32,447</b>	<b>45,245</b>	<b>799,823</b>

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

# Consolidated interim statement of cash flows

For the half year ended 31 December 2022

	31 December 2022 \$'000	31 December 2021 \$'000
<b>Cash flows from operating activities</b>		
Interest received	31,697	441
Rent received	-	8,869
Distributions received	16,848	15,068
Payments to suppliers	(151)	(2,470)
Interest paid	(11,554)	(7,222)
Other income	7	54
<b>Net cash provided by operating activities</b>	<b>36,847</b>	<b>14,740</b>
<b>Cash flows from investing activities</b>		
Loans repaid by related parties	105,269	40,523
Loans to related parties	(90,045)	(13,971)
Purchase of investments in related parties	(47,614)	(73,555)
Purchase of equity accounted investments	(42,567)	(22,749)
Loans to other parties	(39,479)	-
Proceeds from sale of equity accounted investments	22,969	2,000
Proceeds from sale of related party investments	19,640	1,913
Loans repaid by other parties	18,960	-
Redemption funds paid	(3,998)	-
Deconsolidation of controlled property funds cash balance	(3,916)	-
Deposits paid	-	(25,351)
Purchase of controlled property fund	-	(15,550)
Proceeds from sale of subsidiary	-	4,000
Return of cash from equity accounted investment	-	2,156
Payments in relation to investment properties	-	(194)
<b>Net cash used in investing activities</b>	<b>(60,781)</b>	<b>(100,778)</b>
<b>Cash flows from financing activities</b>		
Proceeds from borrowings	30,000	10,126
Costs paid to issue debt	(550)	(406)
Proceeds from issued units	-	64,778
Distributions paid to non-controlling interests	-	(1,978)
<b>Net cash provided by financing activities</b>	<b>29,450</b>	<b>72,520</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,516</b>	<b>(13,518)</b>
Cash and cash equivalents at the beginning of the financial period	16,812	70,524
<b>Cash and cash equivalents at end of period</b>	<b>22,328</b>	<b>57,006</b>

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

## A About the report

### A1 General information

The Centuria Capital No. 2 Fund and its controlled entities (the 'Fund') is a for-profit entity and its principal activities are holding direct interests in property funds and other liquid investments. The ultimate parent of the Fund is Centuria Capital Fund.

Centuria Capital No. 2 Fund is wholly owned by Centuria Capital Fund, however the secured listed redeemable note in CC2F is quoted and traded on the Australian Securities Exchange ('ASX') under the ticker code 'C2FHA'. As an outcome, CC2F is a disclosing entity.

#### Statement of compliance

The consolidated interim financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards adopted by the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated interim financial statements of the Fund comprising the Fund (as 'Parent') and its controlled entities for the half year ended 31 December 2022 were authorised for issue on 7 February 2023.

The Fund was established on 8 July 2016.

#### Basis of preparation

The consolidated interim financial statements have been prepared on the basis of historical cost, except for financial assets at fair value through profit and loss, investment properties, 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, related to the 'rounding off' of amounts in the consolidated interim financial statements. Amounts in the consolidated interim financial statements have been rounded off, in accordance with the instrument to the nearest thousand dollars, unless otherwise indicated.

### A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2022 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated interim 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.

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.

### A3 Other new accounting standards and interpretations

The AASB has issued new or amendments to standards that are first effective from 1 July 2022.

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

*Standards now effective:*

#### AASB 2020-3 Amendments to Australian Accounting Standards - Annual Improvements 2018-2020 and Other Amendments

AASB 2020-3 amends AASB 1 First-time Adoption of Australian Accounting Standards, AASB 3 Business Combinations, AASB 9 Financial Instruments, AASB 116 Property, Plant and Equipment, AASB 137 Provisions, Contingent Liabilities and Contingent Assets and AASB 141 Agriculture.

### A3 Other new accounting standards and interpretations (continued)

#### *Standards not yet effective:*

A number of new standards are effective for annual periods beginning after 1 July 2022 and earlier application is permitted; however, the Fund has not early adopted the new or amended standards in preparing these consolidated financial statements.

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

- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 17 Insurance Contracts
- AASB 2020-5 Amendments to Australian Accounting Standards - Insurance Contracts
- AASB 2022-1 Amendments to Australian Accounting Standards - Initial application of AASB 17 and AASB 9 - Comparative Information
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2021-5 Amendments to Australian Accounting Standards - Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- AASB 2021-7(a-c) Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

### A4 Use of judgements and estimates

In preparing these consolidated interim 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 interim financial statements is included in the following notes:

- Note C2 Financial assets
- Note E1 Financial instruments

### A5 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.

## B Business performance

### B1 Revenue

	31 December 2022 \$'000	31 December 2021 \$'000
Interest revenue	21,320	14,554
Distribution revenue	15,007	14,832
Rent	-	5,986
Recoverable outgoings	-	2,265
Other income	100	54
	<b>36,427</b>	<b>37,691</b>

#### (a) Transactions with related parties

	31 December 2022 \$	31 December 2021 \$
Interest income on loan to Centuria Finance Pty Limited	20,643,400	13,931,930
Distributions from Property Funds managed by Centuria	14,582,820	14,736,087
Interest income on loans to Property Funds managed by Centuria	293,106	585,369
Interest income on loan to Bass Property Credit Fund	282,866	-
Interest income on loan to Centuria Bass Credit Fund	58,511	-
	<b>35,860,703</b>	<b>29,253,386</b>

### B2 Fair value movements of financial instruments and property

The following table provides a summary of fair value movements of investments during the period:

	31 December 2022 \$'000	31 December 2021 \$'000
Movement in Centuria Industrial REIT's listed market price	23,969	28,291
Movement in Centuria Office REIT's listed market price	(15,101)	5,954
Other fair value movements	1,206	4,279
<b>Total fair value movement</b>	<b>10,074</b>	<b>38,524</b>

### B3 Expenses

	31 December 2022 \$'000	31 December 2021 \$'000
Consulting and professional fees	23	108
Other expenses	16	48
Property outgoings and fund expenses	-	3,599
	<b>39</b>	<b>3,755</b>

#### (a) Transactions with related parties

	31 December 2022 \$	31 December 2021 \$
Management and custodian fees paid to Centuria Property Funds Limited	-	421,752
Management fees paid to Primewest P/Q Pty Ltd	-	99,987
	<b>-</b>	<b>521,739</b>

## B4 Finance costs

	31 December 2022 \$'000	31 December 2021 \$'000
Operating interest charges	14,254	8,361
Bank loans in Property Funds interest charges	-	949
	<b>14,254</b>	<b>9,310</b>

### Recognition and measurement

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

## 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

	31 December 2022		31 December 2021	
	Cents per unit	Total \$'000	Cents per unit	Total \$'000
<b>Distributions paid during the half year</b>				
Final Distribution	1.70	27,146	1.20	17,181
<b>Distributions declared during the half year</b>				
Interim Distribution	1.45	22,740	1.50	23,422

## C Assets and liabilities

### C1 Receivables

	31 December 2022 \$'000	30 June 2022 \$'000
Receivables from related parties (refer to note C1(a))	11,588	10,757
Other receivables	-	535
	<b>11,588</b>	<b>11,292</b>

All receivables are considered to be classified as current.

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 period:

	31 December 2022 \$	30 June 2022 \$
Distribution receivable from Centuria Industrial REIT	3,157,229	3,345,413
Distribution receivable from Centuria Office REIT	3,109,050	3,686,445
Recoverable expenses owing from property funds managed by Centuria	2,962,299	2,572,950
Distribution receivable from property funds managed by Centuria	1,413,239	892,082
Redemption funds receivable from property funds managed by Centuria	892,000	241,642
Intercompany receivable from entities within Centuria Capital Group	54,354	18,713
	<b>11,588,171</b>	<b>10,757,245</b>

### C2 Financial assets at fair value

	Notes	31 December 2022 \$'000	30 June 2022 \$'000
Investment in related party unit trusts	C2(a)	492,775	439,468
Loans receivable from related parties - Non-current	C2(b)	418,850	491,104
Loans receivable from related parties - Current	C2(b)	23,152	-
Loans receivable from other parties <sup>(i)</sup>		20,520	-
Investments in trusts and other financial assets		693	3,442
		<b>955,990</b>	<b>934,014</b>

Financial assets are classified as non-current assets unless noted above.

<sup>(i)</sup> \$20,519,592 of the loan receivable from Bass Finance No 51 Pty Ltd accrues interest at a rate of 9.00% per annum and does not have a maturity date and therefore is considered non-current



**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.

	31 December 2022			30 June 2022		
	Fair value \$	Units held	Ownership %	Fair value \$	Units held	Ownership %
<b>Financial assets held by the Group</b>						
Centuria Industrial REIT	241,238,041	77,319,885	12.18%	217,268,877	77,319,885	12.19%
Centuria Office REIT	135,909,888	88,829,992	14.87%	151,010,986	88,829,992	14.87%
Centuria Agriculture Fund	27,226,713	27,289,479	19.16%	-	-	0%
Centuria Heathley Direct Medical Fund No. 2	24,990,709	18,673,473	12.04%	25,483,689	18,673,473	12.04%
Prime Healthcare Holding Trust	21,994,120	21,994,120	10.00%	21,500,000	21,500,000	10.00%
Centuria 111 St Georges Terrace Fund	13,223,218	3,408,046	17.66%	-	-	0%
Dragon Hold Trust	9,696,223	969,622,257	10.00%	9,696,223	969,622,257	10.00%
Matrix Trust	7,238,983	6,083,179	3.27%	4,080,654	3,426,242	5.00%
Primewest Agricultural Trust No. 2	4,324,000	4,324,000	12.59%	6,775,000	6,775,000	19.81%
Centuria Heathley Aged Care Property Fund No. 1	3,514,343	5,513,559	9.21%	2,954,165	5,513,559	9.21%
Centuria Bass First Mortgage Fund No. 1	2,325,547	2,325,547	6.84%	-	-	0%
Centuria Government Income No. 1 Fund	643,539	643,539	0.48%	643,539	643,559	0.64%
Centuria Bass First Mortgage Fund No. 3	393,239	393,239	3.09%	-	-	0%
Centuria 25 Grenfell Street Fund	42,011	42,010	0.08%	40,010	40,010	0.08%
Northgate Geraldton Trust	10	10	10.00%	10	10	10.00%
Centuria Life Goals - Various Funds	14,096	13,499	0%	14,096	-	0%
Primewest Large Format Retail Trust No. 2	-	-	0%	3,407,300	3,097,546	7.29%
	<u>492,774,680</u>			<u>442,874,549</u>		

## 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)

	31 December 2022 \$	30 June 2022 \$
<b>Related party unit trusts carried at fair value through profit and loss</b>		
Opening balance	442,874,549	460,006,104
Investment purchases	47,035,195	148,563,992
Disposal	(19,641,888)	(50,800,090)
Fair value gain/(loss)	10,111,840	(122,921,977)
Carrying value transferred from equity accounted investments	12,394,984	8,026,520
	<u>492,774,680</u>	<u>442,874,549</u>

#### (b) Loans receivable from related parties

The following loans were receivable from related parties of the Fund at the end of the financial period:

	31 December 2022 \$	30 June 2022 \$
Centuria Finance Pty Limited	418,850,498	491,103,520
Bass Property Credit Fund	19,140,996	-
Centuria Bass Credit Fund	4,010,894	-
	<u>442,002,388</u>	<u>491,103,520</u>

	31 December 2022 \$	30 June 2022 \$
Opening balance	491,103,520	310,290,943
Drawdowns	53,050,000	158,858,750
Capitalised interest	20,984,777	31,953,827
Repayments	(123,135,909)	(10,000,000)
	<u>442,002,388</u>	<u>491,103,520</u>

The maturity date on the loans receivable from Centuria Finance Pty Limited is the earliest of 23 December 2025 or such other date as the Fund and borrower may agree in writing.

The maturity date on the loans receivable from Bass Property Credit Fund and Centuria Bass Credit Fund is the earliest of 22 December 2023 or such other date as the Fund and borrower may agree in writing.

### C3 Investment properties

	31 December 2022 \$'000	30 June 2022 \$'000
<b>Property</b>		
111 St George Terrace, Perth WA	-	160,500
	<u>-</u>	<u>160,500</u>

## Assets and liabilities

### C3 Investment properties (continued)

	31 December 2022 \$'000	30 June 2022 \$'000
Opening Balance	160,500	159,000
Acquisition of subsidiary	-	49,140
Capital improvements and associated costs	-	384
Deconsolidation of controlled property funds	(160,500)	(49,140)
Fair value movement	-	2,251
Change in deferred rent and lease incentives	-	(1,135)
	<u>-</u>	<u>160,500</u>

Investment properties are classified as non-current.

The Fund ceased to have control over Centuria 111 St George Terrace Fund (111 SGT) during the period. As a result, the Fund deconsolidated 111 SGT on 1 July 2022.

The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$nil (30 June 2022: \$8,573,860).

### C4 Payables

	31 December 2022 \$'000	30 June 2022 \$'000
Amounts due to related parties (See Note C4 (a))	31,577	31,760
Sundry creditors <sup>(i)</sup>	5,509	17,273
Accrued expenses	81	719
	<u>37,167</u>	<u>49,752</u>

Payables are classified as current.

<sup>(i)</sup> Sundry creditors are non-interest bearing liabilities, payable on commercial terms of 7 to 60 days.

#### (a) Amounts due to related parties

The following amounts owed to related parties of the Fund at the end of the period:

	31 December 2022 \$	30 June 2022 \$
Distribution payable to Centuria Capital Fund	22,740,000	27,146,000
Payable to Centuria Capital Fund	8,284,835	4,517,429
Payable to Centuria Capital Limited	552,419	-
Payable to Centuria Developments Pty Ltd	-	96,709
	<u>31,577,254</u>	<u>31,760,138</u>

**C5 Borrowings**

		<b>31 December 2022 \$'000</b>	<b>30 June 2022 \$'000</b>
	Notes		
Secured listed redeemable notes	C5(a)	<b>198,693</b>	198,693
Floating rate secured notes	C5(b)	<b>126,650</b>	96,650
Fixed rate secured notes	C5(b)	<b>100,553</b>	100,553
Secured bank loans in Controlled Property Funds	C5(c)	-	84,044
Borrowing costs capitalised		<b>(4,158)</b>	(4,509)
		<b>421,738</b>	475,431

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

**(a) Secured listed redeemable notes**

On 21 April 2021, the Fund issued \$198,693,000 of listed redeemable notes with a variable interest rate of 4.25% plus the bank bill rate which is due to mature on 21 April 2026. These notes are secured against assets within certain subsidiaries of the Fund.

**(b) Secured notes**

The Fund issued fixed and floating wholesale notes as per below. These notes are secured against assets within certain subsidiaries of the Fund.

	<b>Classification</b>	<b>Coupon Rate</b>	<b>Due Date</b>	<b>Total facility \$'000</b>	<b>Facility available \$'000</b>	<b>31 December 2022 \$'000</b>	<b>30 June 2022 \$'000</b>
<b>Floating</b>							
Tranche 4	Current	BBSW +4.25%	21 Apr 2023	35,000	-	<b>35,000</b>	35,000
Tranche 6	Non-current	BBSW +4.50%	21 Apr 2024	31,650	-	<b>31,650</b>	31,650
Tranche 8	Non-current	BBSW +3.35%	25 Mar 2025	30,000	-	<b>30,000</b>	30,000
Revolver A	Non-current	BBSY +2.25%	16 Dec 2024	100,000	70,000	<b>30,000</b>	-
Revolver B	Non-current	BBSY +2.45%	30 Jun 2027	50,000	50,000	-	-
				<b>246,650</b>	<b>120,000</b>	<b>126,650</b>	96,650
<b>Fixed</b>							
	<b>Classification</b>	<b>Coupon Rate</b>	<b>Due Date</b>	<b>Total facility \$'000</b>	<b>Facility available \$'000</b>	<b>31 December 2022 \$'000</b>	<b>30 June 2022 \$'000</b>
Tranche 5	Non-current	5.00%	21 Apr 2024	30,553	-	<b>30,553</b>	30,553
Tranche 7	Non-current	5.46%	25 Mar 2025	70,000	-	<b>70,000</b>	70,000
				<b>100,553</b>	-	<b>100,553</b>	100,553

On 16 December 2021, the Fund entered into a 3 year \$100,000,000 secured loan note facility. The facility is a floating rate revolving facility with a margin of 2.25% which is due to mature on 16 December 2024.

In March 2022, the Fund issued a \$70,000,000 three-year Senior Secured Medium Term Note (MTN) with a fixed coupon of 5.46% which is due to mature on 25 March 2025.

In April 2022, the Fund issued a \$30,000,000 three-year MTN with a floating coupon of 3.35% which is due to mature on 25 March 2025.

On 30 June 2022, the Fund entered into a 5 year \$50,000,000 secured loan note facility. The facility is a floating rate revolving facility with a margin of 2.45% which is due to mature on 30 June 2027. The loan is a multi-currency facility allowing both AUD and NZD currencies.

**(c) Bank Loans - Controlled Property Funds (secured)**

The Fund ceased to have control over Centuria 111 St George Terrace Fund (111 SGT) during the period. As a result, the Fund deconsolidated 111 SGT on 1 July 2022. There were no bank loans from controlled property funds as at 31 December 2022.

## C6 Contributed equity

	31 December 2022		30 June 2022	
	No. of units	\$'000	No. of units	\$'000
Opening balance	1,564,025,635	679,965	1,420,075,039	642,298
Units issued	-	-	143,950,596	64,767
Return of capital	-	-	-	(27,100)
Balance at end of the period	1,564,025,635	679,965	1,564,025,635	679,965

Fully paid ordinary units carry one vote per unit and carry the right to distributions.

## C7 Commitments and contingencies

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.

## D Group Structure

### D1 Interests in associates

Set out below are the associates of the Fund as at 31 December 2022 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.

	% of ownership interest		Principal activity	Carrying amount	
	31 December	30 June 2022		31 December	30 June 2022
	2022 %	2022 %		2022 \$'000	2022 \$'000
Centuria Diversified Property Fund	21.67	22.38	Property Investments	37,715	39,021
Allendale Square Fund	36.11	0.00	Property investments	24,261	-
Centuria Government Income Property Fund No. 2	21.59	22.03	Property investments	7,405	7,743
Centuria Industrial Income Fund No. 2	34.96	0.00	Property investments	6,707	-
<b>Total equity accounted investments</b>				<b>76,088</b>	<b>46,764</b>

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2022 to 31 December 2022.

	Centuria Diversified Property Fund \$'000	Centuria Government Income Property Fund No. 2 \$'000	Allendale Square Fund \$'000	Centuria Industrial Income Fund No.2 \$'000	Centuria 111 St Georges Terrace Fund \$'000	Total \$'000
<b>Movement in carrying amount of equity accounted investments</b>						
Opening balance as at 1 July 2022	39,021	7,743	-	-	-	46,764
Carrying value transferred from controlled property	-	-	-	-	24,730	24,730
Acquisition of Investments	-	-	31,638	10,929	-	42,567
Share of net (Loss)/profit after tax	679	14	(847)	(1,098)	190	(1,062)
Distributions received/receivable	(985)	(202)	(153)	(42)	(15)	(1,397)
Disposal of Investments	(1,000)	(150)	(6,377)	(3,082)	(12,510)	(23,119)
Carrying value transferred from/(to) financial assets	-	-	-	-	(12,395)	(12,395)
<b>Closing balance as at 31 December 2022</b>	<b>37,715</b>	<b>7,405</b>	<b>24,261</b>	<b>6,707</b>	<b>-</b>	<b>76,088</b>

## D1 Interests in associates (continued)

The below table shows the movement in carrying amounts of equity accounted investments from 1 July 2021 to 30 June 2022.

Movement in carrying amount of equity accounted investments	Centuria Diversified Property Fund* \$'000	Centuria Government Income Property Fund No.2 \$'000	Centuria Diversified Property Fund No.2* \$'000	Primewest Agricultural Trust No. 2 \$'000	Total \$'000
Opening balance as at 1 July 2021	28,144	-	-	-	28,144
Carrying value transferred from controlled property	-	-	12,827	-	12,827
Acquisition of Investments	-	12,424	-	10,325	22,749
Share of net (loss)/profit after tax	880	428	1,169	1,713	4,190
Distributions received/receivable	(3,596)	(335)	(403)	(461)	(4,795)
Disposal of investments	-	(4,774)	-	(3,550)	(8,324)
Carrying value transferred from/(to) financial assets	-	-	-	(8,027)	(8,027)
Merger CDPF and PPIF*	13,593	-	(13,593)	-	-
<b>Closing balance as at 30 June 2022</b>	<b>39,021</b>	<b>7,743</b>	<b>-</b>	<b>-</b>	<b>46,764</b>

\*On 27 May 2022, Centuria Diversified Property Fund (CDPF) and Centuria Diversified Property Fund No.2 (formerly known as Primewest Property Income Fund) (PPIF) were stapled together. After the stapling, the Fund's residual combined ownership stake is 22.38% as at 30 June 2022.

## E Other

### E1 Fair value of financial instruments

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.

31 December 2022	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	22,328	22,328
Receivables	Amortised cost	Not applicable	11,588	11,588
Financial assets	Fair value	Level 1	377,148	377,148
Financial assets	Fair value	Level 2	116,320	116,320
Financial assets	Amortised cost	Not applicable	462,522	462,522
			<b>989,906</b>	<b>989,906</b>

<b>Financial liabilities</b>				
Payables	Amortised cost	Not applicable	37,167	37,167
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	421,738	417,671
			<b>458,905</b>	<b>454,838</b>

30 June 2022	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	Amortised cost	Not applicable	16,812	16,812
Receivables	Amortised cost	Not applicable	11,292	11,292
Financial assets	Fair value	Level 1	368,330	368,330
Financial assets	Fair value	Level 2	74,580	74,580
Financial assets*	Amortised cost	Not applicable	491,104	491,104
			<b>962,118</b>	<b>962,118</b>

<b>Financial liabilities</b>				
Payables	Amortised cost	Not applicable	49,752	49,752
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	475,431	470,943
Total			<b>525,183</b>	<b>520,695</b>

\*Prior year numbers have been represented to reflect current year presentation.

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.



**E2 Events subsequent to the reporting date**

From 31 December 2022 to 7 February 2023, the fair value gain on investments in listed funds is \$48,250,000, with the share price in CIP moving from \$3.12 to \$3.52 and the share price in COF moving from \$1.53 to \$1.73.

In February 2023, the Fund received credit approval for a 5-year \$50,000,000 secured note facility. The facility is a floating rate revolving facility with a margin of 2.60%.

Other than the above, there has not arisen in the interval between 31 December 2022 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 Fund, the results of those operations, or the state of affairs of the Fund, in future financial years.

# Director's declaration

In the opinion of the Directors' of Centuria Funds Management Limited as the Trustee of Centuria Capital No. 2 Fund:

- (a) the consolidated interim financial statements and notes set out on pages 4 to 23 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 consolidated entity's financial position as at 31 December 2022 and of its performance for the half 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.

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



Mr Garry S. Charny  
Director



Mr Peter J. Done  
Director

Sydney  
7 February 2023

# Independent Auditor's Review Report

To the unitholders of Centuria Capital No.2 Fund

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Centuria Capital No.2 Fund (the Fund).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Centuria Capital No.2 Fund does not comply with the *Corporations Act 2001*, including:

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

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2022;
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date;
- Notes A1 to E2 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises Centuria Capital No.2 Fund (the Fund) and the entities it controlled at the half year's end or from time to time during the half-year.

## Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

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

### Responsibilities of the Directors for the Interim Financial Report

The Directors of Centuria Funds Management Limited (the Responsible Entity) are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*; and
- such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



KPMG



Paul Thomas

Partner

Sydney

7 February 2023