CENTURIA CAPITAL GROUP

INTERIM FINANCIAL REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

Centuria Capital Group comprises 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

Interim Financial Report for the six months ended 31 December 2016

Contents

Directors' Report

For the six months ended 31 December 2016

The directors of Centuria Capital Limited (the 'Company') present the interim financial report of the Company and its controlled entities (the 'Group') for the six months ended 31 December 2016.

Directors

The names of the directors of the Company in office during or since the end of the six months are:

Name	Particulars	Appointment Date
G. Charny	Non-Executive Director and Chairman	23 February 2016
P. J. Done	Non-Executive Director	28 November 2007
J. R. Slater	Non-Executive Director	22 May 2013
S. Wheeldon-Steele	Non-Executive Director	31 August 2016
J. E. McBain	Executive Director and Chief Executive Officer	10 July 2006
J. C. Huljich	Executive Director	28 November 2007
N. R. Collishaw	Executive Director	27 August 2013

Company secretary

Mr James Lonie was appointed Company Secretary on 14 August 2015. James is a partner in the Sydney office of HWL Ebsworth solicitors and has extensive financial services experience.

Principal activities

The principal activities of the Group during the six months were the marketing and management of investment products, including friendly society investment bonds and property investment funds.

Changes in state of affairs

During the period the Company and Centuria Capital Fund ('CCF') underwent a stapling arrangement, and the Group as part of the 360 Capital acquisition acquired all of the shares in Centuria Property Funds No. 2 Limited (formerly 360 Capital Investment Management Limited) ('CPF2L'). For further details, refer below and in Note 2 of the interim financial statements. Other than these events there was no significant change in the state of affairs of the Group during the half-year.

Operating and Financial Review

The Group has recorded an operating profit after tax for the six months ended 31 December 2016 (1H17) of $2,922 thousand (six months ended 31 December 2015 ('1H16'): $4,715 thousand). Operating profit after tax excludes non-operating items such as transaction costs with respect to the acquisition of the real estate platform of 360 Capital Group Limited ('TGP').

The Group has recorded a statutory net loss after tax for 1H17 of $(1,375 thousand) ($5,668 thousand net profit after tax for 1H16). Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards, which comply with International Financial Reporting Standards.

Directors' Report

For the six months ended 31 December 2016

The statutory net profit after tax includes a number of items that are not operating in nature, the table below provides a reconciliation from Statutory Profit to Operating Profit.

Reconciliation of statutory profit to operating profit	**1H17**	**1H16**
	$'000	**$'000**
Statutory (loss)/profit after tax	**(1,375)**	**5,668**
Less non-operating items:		
Unrealised loss/(gain) on fair value movements in derivatives, and property and investments	2,291	(2,339)
Impairment charges in relation to seed capital valuations	190	598
Corporate restructure & transaction costs	2,708	-
Eliminations	305	137
Tax impact of above non-recurring adjustments	(1,197)	651
Operating profit after tax	**2,922**	**4,715**

Operating profit after tax provides an assessment of performance of the Group aligned with the reporting to the Group's CEO for resource allocation purposes.

Operational highlights for the respective divisions within the Group for the period were as follows:

Property Funds Management

Operating profit before tax for 1H17 was $4,266 thousand, down 43% compared with 1H16 due to no performance fees earnt in 1H17.

Investment Bonds Management

Operating profit before tax for 1H17 was $2,045 thousand, down 11% compared with 1H16, due to tightening of margins against comparable funds under management (FUM).

Co-Investments

Operating profit before tax for 1H17 was $649 thousand, up from $401 thousand in 1H16 due to increases in co-investment holdings.

Stapling

The stapling of the Company and CCF was approved at an Extraordinary General Meeting of the shareholders of the Company on 10 October 2016. Following approval of the stapling, shares in the Company and units in CCF were stapled on 17 October 2016 and commenced trading as a single security on the ASX. For further details on the stapling, refer to Note 17(a) of the interim financial statements.

Directors' Report

For the six months ended 31 December 2016

360 Capital acquisition

On 23 November 2016, the Group announced the purchase of all of the shares in 'CPF2L' and associated management rights over listed and unlisted property investment funds for which CPF2L is the responsible entity from 360 Capital Group Limited ('360 Capital'). As part of the acquisition, the Group also agreed to acquire various stakes in those listed and unlisted funds. This acquisition is collectively referred to as the 'Transaction'.

The Transaction was funded by a combination of equity, debt and existing cash reserves, including $150,000 thousand capital raised from new and existing institutional investors, and a vendor loan amounting to $50,000 thousand.

The Transaction also included a call option and a put option over stakes in the four unlisted property investment funds managed by CPF2L with a maximum option period of 2 years following completion of the Transaction.

As the Transaction was unconditional as at 31 December 2016, the impacts of the Transaction have been recognised in the Group's interim financial statements.

Earnings per security (EPS)

	31-Dec-16		31-Dec-15	
	Operating	**Statutory**	**Operating**	**Statutory**
Basic EPS (cents/security)	3.79	(1.60)	6.15	7.39
Diluted EPS (cents/ security)	3.70	(1.60)	6.14	7.38

EPS has decreased in line with lower statutory and operating profit for the period. Refer to commentary above for further details.

Dividends & Distributions

An interim distribution comprising a fully franked dividend of 1.50 cents per stapled security as well as a trust distribution of 0.80 cents per stapled security (estimated to be 50% tax deferred), amounting to 2.30 cents per stapled security was declared by the directors on 22 November 2016 in respect of the six months ended 31 December 2016. The record date for the distribution is 6 January 2017 with a payment date of 24 February 2017.

	1H17	**1H16**
Final year-end dividend (cents/share)	3.00	2.75
Final year-end dividend (franking)	100%	100%
Stapling dividend paid 17 October 2016 (cents/security)	17.27	-
Stapling dividend (franking)	100%	-
Interim dividend (cents/security)	1.50	2.25
Interim dividend (franking)	100%	100%
Interim Trust distribution (cents/security)	0.80	N/A
Interim distribution estimated (tax deferred)	50%	N/A
Total Distribution (cents/security)	**2.30**	**2.25**

Directors' Report

For the six months ended 31 December 2016

Subsequent events

(a) Issue of Performance Rights

On 1 January 2017, the Company issued 1,835,393 Performance Rights under the Centuria Capital Limited Executive Incentive Plan.

Each Performance Right is an entitlement to one ordinary stapled security in the Centuria Capital Group, subject to satisfaction, or waiver, of the relevant performance condition. The Performance conditions are measured over 3 years from 1 July 2016 to 30 June 2019 and are based on Earnings Per Share ('EPS') and Key Strategic Goal measures.

The issuance of Performance Rights to Executive Directors was approved at the Company's Annual General Meeting on 29 November 2016.

(b) Completion of the Transaction

The Transaction was completed on 9 January 2017.

As at 31 December 2016, no cash flows had arisen in respect of the Transaction, with the exception of payment of certain transaction costs.

Subsequent to the end of the reporting period, on 9 January 2017, the following cash flows relating to the settlement of the Transaction occurred:

- $144,300 thousand net inflow in respect of the proceeds from the capital raising (net of the underwriting fee);
- $50,000 thousand inflow from the proceeds of the vendor loan;
- $103,791 thousand outflow in respect of the acquisition of shares in CPF2L;
- $83,031 thousand outflow in respect of the acquisition of the co-investment stake in Centuria Industrial REIT (formerly 360 Capital Industrial Fund) (ASX:'CIP'); and
- $33,015 thousand outflow in respect of the acquisition of the co-investment stake in Centuria Urban REIT (formerly 360 Capital Office Fund) (ASX: 'CUA').

Except for the matters above, no other matter or circumstance has arisen in the interval between 31 December 2016 and the date hereof that has significantly affected or may significantly affect:

(i) the Group's operations in the current and future financial years; or

(ii) the results of those operations in current and future financial years; or

(iii) the Group's state of affairs in current or future financial years.

Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 6 and forms part of the Directors' Report for the six months ended 31 December 2016.

Directors' Report

For the six months ended 31 December 2016

Rounding of amounts to the nearest thousand dollars

The Company 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 Report. Amounts in the Directors' Report and Interim Financial Report have been rounded off, in accordance with that Class Order, to the nearest thousand dollars in accordance with the instrument, unless otherwise indicated.

This report is signed in accordance with a resolution of the Directors.

G. Charny
Chairman

P.J. Done
Director
Chairman - Audit, Risk Management & Compliance Committee

Sydney

23 February 2017

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

To the Directors of Centuria Capital Group

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 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

Nigel Virgo

Partner

Sydney

23 February 2017

Consolidated statement of comprehensive income
For the six months ended 31 December 2016

		Six months ended	
		31-Dec-16	31-Dec-15 (i)
	Note	$'000	$'000
Revenue	4	22,749	27,236
Expenses	5	(33,556)	(38,304)
Fair value movements of financial instruments and property		(303)	5,508
Finance costs	6	(1,448)	(1,042)
Net movement in policyholder liabilities		11,542	17,066
Profit/(loss) before tax		**(1,016)**	**10,464**
Income tax expense		(359)	(4,796)
Profit/(loss) after tax		**(1,375)**	**5,668**
Profit/(loss) after tax attributable to:			
Centuria Capital Limited		(384)	5,684
Centuria Capital Fund (non-controlling interests)		(849)	-
External non-controlling interests		(142)	(16)
Profit/(loss) after tax		**(1,375)**	**5,668**
Other comprehensive income/(loss)		-	-
Total comprehensive income/(loss)		**(1,375)**	**5,668**
Total comprehensive income/(loss) attributable to:			
Centuria Capital Limited		(1,014)	5,684
Centuria Capital Fund (non-controlling interests)		(219)	-
External non-controlling interests		(142)	(16)
Total comprehensive income/(loss)		**(1,375)**	**5,668**
Profit/(loss) after tax attributable to:			
Centuria Capital Limited		(384)	5,684
Centuria Capital Fund (non-controlling interests)		(849)	-
Profit/(loss) after tax attributable to Centuria Capital Group security holders		**(1,233)**	**5,684**
Earnings/(loss) per Centuria Capital Group security			
Basic (cents per stapled security)		(1.60)	N/A
Diluted (cents per stapled security)		(1.60)	N/A
Earnings/(loss) per Centuria Capital Limited share			
Basic (cents per share)		(0.50)	7.39
Diluted (cents per share)		(0.50)	7.38

(i) The previously disclosed revenue and expenses attributable to Benefit Funds of $14,452,000 and $12,759,000, respectively, have been split and reclassified on a line by line basis. The previously disclosed income tax expense relating to Benefit Funds of $1,782,000 and income tax expense relating to shareholders of $3,013,000 have been reclassified to income tax expense of $4,796,000. Refer to Note 2(c)(ii) for further details.

Consolidated statement of financial position
As at 31 December 2016

	Note	31-Dec-16 $'000	30-Jun-16 [i] $'000
Assets			
Cash and cash equivalents		71,507	84,323
Trade and other receivables	7	160,426	24,522
Financial assets at fair value	8	443,662	324,742
Property held for development		46,950	35,716
Property investments	9	249,700	-
Reverse mortgages at fair value	8	45,749	51,561
Other assets		2,606	1,917
Intangible assets	10	156,253	53,025
Total assets		**1,176,853**	**575,806**
Liabilities			
Trade and other payables		24,712	9,269
Liability to 360 Capital Group	17	231,667	-
Provisions		1,267	1,155
Borrowings	11	223,005	59,951
Interest rate swap at fair value		17,902	20,778
Benefit Funds policy holders' liability	12	342,071	349,878
Income tax payable		1,024	985
Deferred tax liability		1,956	6,123
Total liabilities		843,604	448,139
Net assets		**333,249**	**127,667**
Equity			
Equity attributable to Centuria Capital Limited			
Contributed equity	13	77,010	88,058
Reserves		1,095	1,459
Retained earnings		11,263	28,452
Total equity attributable to Centuria Capital Limited		**89,368**	**117,969**
Equity attributable to Centuria Capital Fund (non-controlling interests)			
Contributed equity	13	167,852	-
Retained earnings/(loss)		(1,467)	-
Total equity attributable to Centuria Capital Fund (non-controlling interests)		**166,385**	-
Total equity attributable to Centuria Capital Group security holders		**255,753**	**117,969**
Equity attributable to external non-controlling interests			
Contributed equity		49,255	9,883
Retained earnings/(loss)		28,241	(185)
Total equity attributable to external non-controlling interests		**77,496**	**9,698**
Total equity		**333,249**	**127,667**

(i) The previously disclosed assets and liabilities in respect of benefit fund policy holders of $353,528,000 and $353,528,000, respectively, have been split and reclassified on a line by line basis. Refer to Note 2(c)(ii) for further details.

Consolidated statement of changes in equity
For the six months ended 31 December 2016

	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)					
	Contributed equity	Retained earnings	Share based payment reserve	Total	Contributed equity	Retained earnings	Total	Total attributable to Centuria Capital Group Security Holders	External Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	**88,112**	**19,982**	**784**	**108,878**	**-**	**-**	**-**	**108,878**	**9,973**	**118,851**
Profit/(loss) for the six months	-	5,684	-	**5,684**	-	-	**-**	**5,684**	(16)	**5,668**
Total comprehensive income for the period	**-**	**5,684**	**-**	**5,684**	**-**	**-**	**-**	**5,684**	**(16)**	**5,668**
Equity-based payment	-	-	230	**230**	-	-	**-**	**230**	-	**230**
Employee equity scheme	57	-	-	**57**	-	-	**-**	**57**	-	**57**
Dividends paid	-	(2,109)	-	**(2,109)**	-	-	**-**	**(2,109)**	-	**(2,109)**
Share buy-back	(112)	-	-	**(112)**	-	-	**-**	**(112)**	-	**(112)**
Balance at 31 December 2015	**88,057**	**23,557**	**1,014**	**112,628**	**-**	**-**	**-**	**112,628**	**9,957**	**122,585**
Balance at 1 July 2016	**88,058**	**28,452**	**1,459**	**117,969**	**-**	**-**	**-**	**117,969**	**9,698**	**127,667**
Profit/(loss) for the six months	-	(384)	-	**(384)**	-	(849)	**(849)**	**(1,233)**	(142)	**(1,375)**
Total comprehensive income for the period	**-**	**(384)**	**-**	**(384)**	**-**	**(849)**	**(849)**	**(1,233)**	**(142)**	**(1,375)**
Acquisition of subsidiaries with NCI	-	-	-	**-**	-	-	**-**	**-**	67,940	**67,940**
Equity-based payment	356	-	(364)	**(8)**	-	-	**-**	**(8)**	-	**(8)**
Dividends and distributions paid/accrued	-	(3,474)	-	**(3,474)**	-	(618)	**(618)**	**(4,092)**	-	**(4,092)**
Stapling dividend and return of capital reinvested	(39,205)	(13,331)	-	**(52,536)**	52,536	-	**52,536**	**-**	-	**-**
Stapled securities issued	28,800	-	-	**28,800**	121,200	-	**121,200**	**150,000**	-	**150,000**
Costs of equity raising	(999)	-	-	**(999)**	(5,884)	-	**(5,884)**	**(6,883)**	-	**(6,883)**
Balance at 31 December 2016	**77,010**	**11,263**	**1,095**	**89,368**	**167,852**	**(1,467)**	**166,385**	**255,753**	**77,496**	**333,249**

Consolidated statement of cash flows
For the six months ended 31 December 2016

	Six months ended	
	31-Dec-16	30-Dec-15 (i)
	$'000	$'000
Cash flows from operating activities		
Management fees received	20,741	11,904
Rent, trust distributions and other income received	3,958	6,947
Payments to suppliers and employees	(14,759)	(10,325)
Interest received	6,238	2,592
Applications - Benefit Funds	10,559	17,397
Redemptions - Benefit Funds	(21,586)	(31,983)
Payments for property held for development	(11,823)	(4,591)
Income tax paid	(2,841)	(923)
Net cash used in operating activities	**(9,513)**	**(8,982)**
Cash flows from investing activities		
Payments for plant and equipment	-	(59)
Collections from reverse mortgage holders	324	1,243
Proceeds from sale of investments	40,387	1,040
Repayment of loans by related parties	7,072	-
Loans to related parties	(3,616)	(9,025)
Benefit Funds (acquisitions)/disposals of investments in financial assets	(38,790)	4,735
Acquisition of investments in unlisted funds	(6,227)	-
Cash balance on consolidation of property funds	6,937	-
Cash balance on acquisition of subsidiary	10,671	-
Net outflow from sale of insurance subsidiary	-	(77)
Net cash provided/(used) by investing activities	**16,758**	**(2,143)**
Cash flows from financing activities		
Repayment of reverse mortgage borrowings	(211)	(1,065)
Interest paid on reverse mortgage borrowings	(306)	(558)
Corporate restructure and transaction costs	(1,470)	-
(Repayment)/drawdown of corporate borrowings	(26,750)	10,400
Payment for shares (buy-back)	-	(112)
Proceeds from borrowings (development)	11,520	4,366
Dividends paid	(2,315)	(2,109)
Financing costs paid on corporate borrowings	(529)	(874)
Net cash provided/(used) by financing activities	**(20,061)**	**10,048**
Net (decrease)/increase in cash and cash equivalents	(12,816)	(1,077)
Cash and cash equivalents at the beginning of the period	84,323	41,325
Cash and cash equivalents at the end of the period	**71,507**	**40,248**

(i) The previously disclosed Benefit Funds net cash used in operating activities of $9,341,000 has been split and reclassified on a line by line basis within cash flows from operating activities. Refer to Note 2(c)(ii) for further details.

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

1. General information

At an Extraordinary General Meeting on 10 October 2016, the shareholders of Centuria Capital Limited ABN 22 095 454 336 (the 'Company'), incorporated, operating and listed on the Australian Securities Exchange ('ASX') trading under the ticker code 'CNI', approved the proposal to establish the Centuria Capital Group (the 'Group') by amending the Company's Constitution to allow the stapling of units in the new trust, Centuria Capital Fund A.R.S.N. 613 856 358 ('CCF'), to their shares.

Under the stapling, the Company's existing business was split into two parts. The Company continues to be the operating entity, carrying on its property funds management, active asset management and investment bond management business, with the Company's property investments transferred to CCF.

The shares in the Company and the units in CCF are stapled to trade together as a single stapled security ('Stapled Security') on the ASX as 'Centuria Capital Group' under an unchanged ASX ticker code. The new Stapled Securities commenced trading on the day after the stapling which occurred on 17 October 2016.

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, and co-investment in property investment funds.

2. Basis of preparation

(a) Corporate information

The interim financial statements of the Group comprising the Company (as 'Parent') and its controlled entities for the period ended 31 December 2016 were authorised for issue by the Group's Board of Directors on 22 February 2017.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

(b) Statement of compliance

These interim financial statements have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these interim financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016.

(c) Significant accounting policies

The consolidated interim financial statements for the Group as at and for the six months ended 31 December 2016 comprise the Company, CCF and their respective subsidiaries.

The accounting policies adopted in these interim financial statements are consistent with those applied in the previous financial year other than those changes outlined below. When the presentation or classification of items in the interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical.

(i) Stapling

The stapling of the Company and CCF was approved at an Extraordinary General Meeting of the shareholders of CNI on 10 October 2016. Following approval of the stapling, shares in the Company and units in CCF were stapled to one another on 17 October 2016 and are traded as a single security on the ASX.

2. Basis of preparation (continued)

Australian Accounting Standards require an acquirer to be identified and an in-substance acquisition to be recognised. In relation to the stapling of the Company and CCF, the Company is identified as the parent of the Group with the acquisition accounted for as a change in ownership without a loss of control.

CCF was established by the transfer of the Company's interest in Centuria Metropolitan REIT ('CMA') and other Co-investments to CCF in exchange for $52,536 thousand in equity of CCF. Assets transferred to CCF were transferred at fair value. As the co-investments were already held at fair value, there was no impact on the consolidated net assets. CCL distributed $52,536 thousand of its units in CCF to its shareholders through a $13,331 thousand dividend and a capital distribution of $39,205 thousand.

The issued units of CCF are not owned by the Company. The equity in the net assets of CCF and the profit/(loss) arising from those net assets have been separately identified in the statements of comprehensive income and financial position. CCF's contributed equity and retained earnings/accumulated losses are shown as a non-controlling interest in this interim financial report in accordance with accounting standards.

(ii) Consolidation of Benefit Funds

A subsidiary of the Company, Centuria Life Limited ('CLL'), is a friendly society in accordance with the Life insurance Act 1995 (the 'Act'). The funds operated by CLL, and any trusts controlled by those Funds, are treated as statutory funds in accordance with the Act. These statutory funds are required to be consolidated in accordance with accounting standards.

For the half year ended 31 December 2016 and going forward, the assets, liabilities, income and expenses of these statutory funds have been included on a line by line basis on the primary financial statements and disclosure notes. Where relevant, comparative primary financial statements and disclosures have been restated to ensure consistency in presentation of financial information across the applicable comparative periods. This change has been made as it provides more relevant and comparable information.

The table below shows how the comparative balances of these statutory funds have been reclassified:

Profit & Loss	**Actual 31-Dec-15 '$000**	**Restated 31-Dec-15 $'000**	**Movement**
Total income	34,128	27,236	6,892
Expenses attributable to Benefit Funds	(12,759)	-	(12,759)
Total other expenses	(9,864)	(38,304)	28,440
Fair value movement of financial instruments	-	5,508	(5,508)
Finance costs	(1,042)	(1,042)	-
Net movement in policy holder liabilities	-	17,066	(17,066)
Profit before tax	**10,463**	**10,464**	**(1)**
Income tax expense	(3,013)	(4,796)	1,783
Income tax expense related to the Benefit Funds	(1,782)	-	(1,782)
Profit after tax	**5,668**	**5,668**	**-**

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

2. Basis of preparation (continued)

Balance Sheet	Actual 30-Jun-16 '$000	Restated 30-Jun-16 $'000	Movement
Cash & cash equivalents	13,157	84,323	(71,166)
Trade & other receivables	19,656	24,522	(4,866)
Financial assets at fair value	47,194	324,742	(277,548)
Other assets	1,917	1,917	-
Property held for development	35,716	35,716	-
Reverse mortgages at fair value	51,561	51,561	-
Intangible assets	53,025	53,025	-
Assets in respect of Benefit Funds	353,528	-	353,528
Total assets	**575,754**	**575,806**	**(52)**
Trade & other payables	9,190	9,269	(79)
Provisions	1,155	1,155	-
Borrowings	59,951	59,951	-
Interest rate swap at fair value	20,778	20,778	-
Income tax payable	985	985	-
Liabilities in respect of Benefit Funds	353,528	349,878	3,650
Deferred tax liability	2,500	6,123	(3,623)
Total liabilities	**448,087**	**448,139**	**(52)**
Net assets	**127,667**	**127,667**	**-**

(iii) 360 Capital acquisition

On 23 November 2016, the Group announced the purchase of all of the shares in Centuria Property Funds No. 2 Limited (formerly 360 Capital Investment Management Limited) (‘CPF2L’) and associated management rights over listed and unlisted property investment funds for which CPF2L is the responsible entity from 360 Capital Group Limited (‘360 Capital’). Also as part of the acquisition, the Group agreed to acquire various stakes in those listed and unlisted funds.

The acquisition of shares in CPF2L and the interests in the listed and unlisted property investment funds (collectively, the ‘Transaction’) was settled on 9 January 2017.

The Transaction was funded by a combination of debt, equity and existing cash reserves, including $150,000 thousand capital raised from new and existing institutional investors, and a vendor loan amounting to $50,000 thousand.

The Transaction also included a call option and a put option over stakes in the four unlisted property investment funds managed by CPF2L with a maximum option period of 2 years following completion of the Transaction.

2. Basis of preparation (continued)

Due to the Transaction being unconditional as at 31 December 2016, the Group has recognised the following in its financial statements:

- Control over CPF2L and its controlled entities, including the acquisition of management rights over the listed and unlisted funds managed by CPF2L;
- Acquisition of a co-investment stake in Centuria Industrial REIT (formerly 360 Capital Industrial Fund) (ASX: 'CIP');
- Acquisition of a co-investment stake in Centuria Urban REIT (formerly 360 Capital Office Fund) (ASX: 'CUA'); and
- Control over four unlisted property investment funds.

Due to completion and settlement of the Transaction not occurring until 9 January 2017, the following commitments arising from the settlement of the Transaction have been recognised as liabilities as at 31 December 2016:

- Liability in respect of the acquisition of shares in CPF2L of $103,791 thousand;
- Liability in respect of the acquisition of the co-investment stake in CUA of $33,015 thousand;
- Liability in respect of the acquisition of the co-investment stake in CIP of $33,031 thousand;
- Vendor loan due to 360 Capital Group amounting to $50,000 thousand in respect of the acquisition of the co-investment stake in CIP;
- Liability arising from the call option and put option over the four unlisted property investment funds of $60,123 thousand; and
- Contingent liability of $1,763 thousand in respect of a 7.5% guaranteed distribution yield on the unlisted property funds subject to put and call options.

In addition, as the capital raise of $150,000 thousand was also unconditional as at 31 December 2016, the expected proceeds, net of transaction costs, have also been recognised as contributed equity in the statement of financial position, with a corresponding receivable for the same amount. The securities were subsequently issued on 6 January 2017.

For further detail on the acquisition of CPF2L and the net assets acquired, refer to Note 17(b).

As at 31 December 2016, no cash flows had arisen in respect of the Transaction, with the exception of payment of certain transaction costs.

(iv) New and amended standards issued but not yet effective

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for the 31 December 2016 reporting period. These standards, amendments to existing standards and interpretations have not been early adopted by the Group. The Directors have not fully assessed the impact of these new and amended standards and interpretations (to the extent that they are relevant to the Group).

(d) Use of judgements and estimates

In preparing these 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.

Other than those described above in Note 2, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2016.

3. Segment information

As at 31 December 2016 the Group has five reportable operating segments including a new Co-Investments operating segment. These reportable operating segments are the divisions which report to the Group's CEO and Board of Directors for the purpose of resource allocation and assessment of performance.

The reportable operating segments are:

- Property Funds Management: management of listed and unlisted property funds;
- 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 equity investment in property funds managed by the Group;
- Reverse Mortgages: management of a reverse mortgage lending portfolio; and
- Corporate.

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

- Non-operating items: comprises transaction costs, mark-to-market movements on property and derivative financial instruments, and all other non-operating activities;
- Benefit Funds: represents the operating results and financial position of the Benefit Funds 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 controlled by the Group and consolidated under accounting standards;
- Eliminations: elimination of transactions between the operating segments and the other three non-operating segments above.

Where relevant, comparative financial information has been restated to ensure consistency in presentation of financial information across the applicable comparative periods.

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

An analysis of the Group's operating segment results, financial position and cash flow is shown on the following pages.

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

3. Segment information (continued)

(a) Segment profit and loss
for the six months ended 31 December 2016

	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Reverse Mortgages $'000	Corporate $'000	Operating profit $'000	Non operating items $'000	Benefits Funds $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory profit $'000
Revenue	10,428	4,752	645	1,191	118	17,134	-	9,315	1	(3,701)	22,749
Expenses	(6,162)	(2,707)	4	(282)	(3,303)	(12,450)	(2,898)	(21,603)	(14)	3,409	(33,556)
Fair value movements of financial instruments and property	-	-	-	-	-	-	(2,291)	1,988	-	-	(303)
Finance costs	-	-	-	(919)	(529)	(1,448)	-	-	-	-	(1,448)
Net movement in policyholder liabilities	-	-	-	-	-	-	-	11,542	-	-	11,542
Profit/(loss) before tax	4,266	2,045	649	(10)	(3,714)	3,236	(5,189)	1,242	(13)	(292)	(1,016)
Income tax expense	(1,280)	(859)	(51)	3	1,873	(314)	1,109	(1,242)	-	88	(359)
Profit/(loss) after tax	**2,986**	**1,186**	**598**	**(7)**	**(1,841)**	**2,922**	**(4,080)**	**-**	**(13)**	**(204)**	**(1,375)**
Profit/(loss) after tax attributable to:											
Centuria Capital Limited	2,986	1,186	119	(7)	(1,841)	2,443	(2,752)	-	(13)	(62)	(384)
Centuria Capital Fund	-	-	479	-	-	479	(1,328)	-	-	-	(849)
Profit/(loss) after tax attributable to Centuria Capital Group security holders	**2,986**	**1,186**	**598**	**(7)**	**(1,841)**	**2,922**	**(4,080)**	**-**	**(13)**	**(62)**	**(1,233)**
Non-controlling interests	-	-	-	-	-	-	-	-	-	(142)	(142)
Profit/(loss) after tax	**2,986**	**1,186**	**598**	**(7)**	**(1,841)**	**2,922**	**(4,080)**	**-**	**(13)**	**(204)**	**(1,375)**

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

3. Segment information (continued)

(a) Segment profit and loss
for the six months ended 31 December 2015

	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Reverse Mortgages $'000	Corporate $'000	Operating profit $'000	Non operating items $'000	Benefits Funds[i] $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory profit $'000
Revenue	13,198	4,986	401	1,171	243	19,999	-	11,373	7	(4,143)	27,236
Expenses	(5,615)	(2,855)	-	(347)	(3,063)	(11,880)	(598)	(29,825)	279	3,720	(38,304)
Fair value movements of financial instruments and property	-	-	-	-	-	-	2,339	3,169	-	-	5,508
Finance costs	-	161	-	(953)	(250)	(1,042)	-	-	-	-	(1,042)
Net movement in policyholder liabilities	-	-	-	-	-	-	-	17,066	-	-	17,066
Profit/(loss) before tax	7,583	2,292	401	(129)	(3,070)	7,077	1,741	1,783	286	(423)	10,464
Income tax expense	(2,278)	(973)	(120)	39	970	(2,362)	(702)	(1,783)	(76)	127	(4,796)
Profit/(loss) after tax	**5,305**	**1,319**	**281**	**(90)**	**(2,100)**	**4,715**	**1,039**	**-**	**210**	**(296)**	**5,668**
Profit/(loss) after tax attributable to:											
Centuria Security Holders	5,305	1,319	281	(90)	(2,100)	4,715	1,039	-	210	(280)	5,684
Centuria Capital Fund	-	-	-	-	-	-	-	-	-	-	-
Profit/(loss) after tax attributable to Centuria Capital Group security holders	**5,305**	**1,319**	**281**	**(90)**	**(2,100)**	**4,715**	**1,039**	**-**	**210**	**(280)**	**5,684**
Non-controlling interests	-	-	-	-	-	-	-	-	-	(16)	(16)
Profit/(loss) after tax	**5,305**	**1,319**	**281**	**(90)**	**(2,100)**	**4,715**	**1,039**	**-**	**210**	**(296)**	**5,668**

(i) The comparative segment information has been restated to present the Benefit funds on a line by line basis for consistency with current period presentation.

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

3. Segment information (continued)

(b) Segment balance sheet
as at 31 December 2016

	Property Funds Management	Investment Bonds Management	Co-Investments	Reverse Mortgages	Corporate	Operating balance sheet	Benefits Funds	Controlled Property Funds	Eliminations	Statutory balance sheet
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets										
Cash and cash equivalents	14,827	4,775	17,396	836	833	38,667	25,736	7,104	-	71,507
Trade and other receivables	1,964	1,423	4,247	(25)	151,360	158,969	1,336	816	(695)	160,426
Financial assets at fair value	-	-	129,494	-	85	129,579	318,327	6,335	(10,579)	443,662
Property held for development	-	-	-	-	-	-	-	48,252	(1,302)	46,950
Property investments	-	-	-	-	-	-	-	249,700	-	249,700
Reverse mortgages at fair value	-	-	-	45,749	-	45,749	-	-	-	45,749
Other assets	143	69	113	3	902	1,230	-	1,376	-	2,606
Intangible assets	156,253	-	-	-	-	156,253	-	-	-	156,253
Total assets	**173,187**	**6,267**	**151,250**	**46,563**	**153,180**	**530,447**	**345,399**	**313,583**	**(12,576)**	**1,176,853**
Liabilities										
Trade and other payables	1,078	890	1,905	833	12,954	17,660	567	6,485	-	24,712
Liability to 360 Capital Group	103,791	-	73,305	-	-	177,096	-	54,572	-	231,667
Provisions	647	-	-	-	620	1,267	-	695	(695)	1,267
Borrowings	-	-	50,000	9,589	-	59,589	-	163,416	-	223,005
Interest rate swap at fair value	-	-	-	17,119	-	17,119	-	783	-	17,902
Benefit Funds policy holders' liability	-	-	-	-	-	-	342,071	-	-	342,071
Income tax payable	130	4	-	-	2,504	2,638	(1,614)	-	-	1,024
Deferred tax liability	2,612	-	-	560	(5,104)	(1,932)	4,375	(109)	(378)	1,956
Total liabilities	108,258	894	125,210	28,101	10,974	273,437	345,399	225,842	(1,073)	843,604
Net assets	**64,929**	**5,373**	**26,040**	**18,462**	**142,206**	**257,010**	**-**	**87,741**	**(11,503)**	**333,249**

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

3. Segment information (continued)

(b) Segment balance sheet
as at 30 June 2016

	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Reverse Mortgages $'000	Corporate $'000	Operating Balance Sheet $'000	Benefits Funds[(i)] $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory Balance Sheet $'000
Assets										
Cash and cash equivalents	5,161	6,153	-	1,054	580	12,948	71,166	209	-	84,323
Trade and other receivables	10,766	1,147	7,806	-	878	20,597	3,971	-	(46)	24,522
Financial assets at fair value	-	-	50,858	-	85	50,943	277,548	-	(3,750)	324,741
Property held for development	-	-	-	-	-	-	-	36,726	(1,010)	35,716
Reverse mortgages at fair value	-	-	-	51,561	-	51,561	-	-	-	51,561
Other assets	154	38	-	58	1,130	1,380	-	537	-	1,917
Intangible assets	53,025	-	-	-	-	53,025	-	-	-	53,025
Total assets	**69,106**	**7,338**	**58,664**	**52,673**	**2,673**	**190,455**	**352,685**	**37,472**	**(4,806)**	**575,806**
Liabilities										
Trade and other payables	3,082	508	146	834	3,941	8,511	25	779	(46)	9,269
Provisions	619	-	-	-	536	1,155	-	-	-	1,155
Borrowings	-	-	26,750	9,800	-	36,550	-	23,401	-	59,951
Interest rate swap at fair value	-	-	-	20,753	-	20,753	-	25	-	20,778
Benefit Funds policy holders' liability	-	-	-	-	-	-	349,878	-	-	349,878
Income tax payable	23	4	-	-	1,799	1,826	(841)	-	-	985
Deferred tax liability	2,612	-	-	1,296	(1,008)	2,900	3,623	(109)	(291)	6,123
Total liabilities	6,336	512	26,896	32,683	5,268	71,695	352,685	24,096	(337)	448,139
Net assets	**62,770**	**6,826**	**31,768**	**19,990**	**(2,595)**	**118,760**	**-**	**13,376**	**(4,469)**	**127,667**

(i) The comparative segment information has been restated to present the Benefit funds on a line by line basis for consistency with current period presentation.

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

3. Segment information (continued)

(c) Operating segment cash flows [(i)]
for the 6 months ended 31 December 2016

	Six months ended 31-Dec-16 $'000	31-Dec-15 $'000
Cash flows from operating activities		
Management fees received	23,819	16,042
Rent, trust distributions and other income received	1,101	618
Payments to suppliers and employees	(13,732)	(11,650)
Interest received	271	374
Income tax paid	(2,276)	(662)
Net cash inflow from operating activities	**9,183**	**4,722**
Cash flows from investing activities		
Payments for plant and equipment	-	(59)
Collections from reverse mortgage holders	324	1,243
Proceeds from sale of investments	40,387	1,040
Repayment of loans by related parties	7,072	-
Loans to related parties	(3,616)	(9,025)
Acquisition of investments in unlisted funds	(6,721)	-
Cash balance on acquisition of subsidiary	10,671	-
Net outflow from sale of insurance subsidiary	-	(77)
Net cash provided/(used) by investing activities	**48,117**	**(6,878)**
Cash flows from financing activities		
Repayment of reverse mortgages borrowings	(211)	(1,065)
Interest paid on reverse mortgage borrowings	(306)	(558)
Corporate restructure and transaction costs	(1,470)	-
(Repayment)/drawdown of corporate borrowings	(26,750)	10,400
Payment for shares (buy-back)	-	(112)
Dividends paid	(2,315)	(2,109)
Financing costs paid on corporate borrowings	(529)	(874)
Net cash provided/(used) by financing activities	**(31,581)**	**5,682**
Net (decrease)/increase in cash and cash equivalents	25,719	3,526
Cash and cash equivalents at the beginning of the period	12,948	25,487
Cash and cash equivalents at the end of the period	**38,667**	**29,013**

(i) The operating segment cash flows support the segment note disclosures of the Centuria Capital 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 10 of the interim financial statements for the full statutory cash flow statement of the Group.

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

4. Revenue

	31-Dec-16 $'000	31-Dec-15 $'000
Interest revenue	5,226	3,680
Distribution revenue	3,338	6,557
Management fees from property funds	7,006	4,800
Property transaction fees	2,891	2,048
Performance Fee	177	6,000
Management fees from Benefit Funds	1,283	1,147
Premiums (Discretionary Participation Features only)	2,658	2,884
Other income	170	120
	22,749	27,236

5. Expenses

	31-Dec-16 $'000	31-Dec-15 $'000
Employee benefits expense	(7,779)	(6,216)
Administration fees	(1,299)	(1,262)
Consulting and professional fees	(1,109)	(1,138)
Corporate restructure and tranaction costs	(2,708)	-
Impairment of related party receivable	-	(759)
Claims (Discretionary Participation Features only)	(18,194)	(25,843)
Other expenses	(2,467)	(3,086)
	(33,556)	(38,304)

6. Finance costs

	31-Dec-16 $'000	31-Dec-15 $'000
Corporate facility interest charges	(529)	(250)
Reverse mortgage facility interest charges	(919)	(953)
Unwinding of discount on non-current related party receivable	-	161
Gain on derivatives on fair value hedges	6,702	1,810
Loss on financial assets in fair value hedges	(6,702)	(1,810)
	(1,448)	(1,042)

7. Trade and other receivables

	31-Dec-16 $'000	30-Jun-16 $'000
Equity issue receivable (current)	150,000	-
Sundry debtors (current)	4,476	6,600
Amount owing by related entities (current) (refer to Note 15(b))	5,950	17,922
	160,426	24,522

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

8. Financial assets at fair value

Financial assets at fair value	31-Dec-16 $'000	30-Jun-16 $'000
Investments in trusts, shares and other financial instruments (non-current)	306,468	305,831
Unit trusts (related party) (non-current) (refer to Note 15(b))	137,194	18,911
	443,662	324,742

Reverse mortgages at fair value		
Reverse mortgage receivables [(i)] (non-current)	27,374	26,507
Reverse mortgages (hedged item fair value adjustment) (non-current)	18,375	25,054
	45,749	51,561

(i) Whilst some mortgages are likely to be repaid during the next 12 months, Centuria does not control the repayment date and accordingly all amounts are treated as non-current.

9. Property Investments

Property	31 Dec 2016 fair value $'000	Capitalisation rate (%)	Most recent independent valuer cap rate (%)	Last independent valuation date	Independent valuer firm
111 St George Terrace, Perth WA	136,000	7.25	7.25	Dec-16	Savills
City Centre Plaza, Rockhampton Qld	46,000	7.00	7.00	Dec-16	CBRE
Havelock House, West Perth WA	27,800	7.00	7.00	Dec-16	Colliers
Windsor Marketplace, Windsor NSW	21,400	6.75	6.75	Jun-16	JLL
441 Murray Street, Perth WA	18,500	8.00	8.00	Dec-16	Savills
Total fair value	**249,700**				

(a) Fair value measurement

The fair value measurement of property investments 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).

9. Property Investments (continued)

(b) Valuation techniques and significant unobservable inputs

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

The valuations were prepared by considering the following valuation methodologies:

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

(c) Valuation techniques and significant unobservable inputs

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.

10. Intangible Assets

	31-Dec-16 $'000	30-Jun-16 $'000
Goodwill (non-current)	64,125	53,025
Indefinite life management rights (non-current)	92,128	-
	156,253	53,025

	31-Dec-16 $'000	30-Jun-16 $'000
Balance at the beginning of the period	53,025	53,025
Acquired goodwill (refer to Note 17(b))	11,100	-
Acquired management rights (refer to Note 17(b))	92,128	-
Balance at the end of the period	156,253	53,025

Notes to the consolidated interim financial statements
For the six months ended 31 December 2016

11. Borrowings

	31-Dec-16 $'000	30-Jun-16 $'000
Corporate facility (i)	-	26,750
Development facility (ii)	34,921	23,401
Loan from 360 Capital Group (iii)	50,000	-
Reverse mortgage bill facilities and notes (iv)	9,589	9,800
Bank loans in Property Funds (v)	128,495	-
	223,005	59,951

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

(i) Corporate facility (non-current)

The Company has a multi option facility with National Australia Bank. The facility limit is $30.5 million, maturing 28 February 2018.

	31-Dec-16 $'000	30-Jun-16 $'000
Facility available at the beginning of the period	30,500	30,000
Amount drawn down	-	(26,750)
Bank guarantee utilised[1]	(3,451)	(3,001)
Facility available at the end of the period	27,049	249

1 Bank guarantee is not included in the borrowings note above

(ii) Development facility (current)

Centuria Belmont Road Management Pty Limited has entered into a facility agreement with Commonwealth Bank of Australia. The facility is $38,700 thousand across three tranches, maturing 31 August 2017. The facility has recourse only to the underlying property assets of the Belmont Road Development Fund.

(iii) Loan from 360 Capital Group (non-current)

Centuria Capital Fund borrowed $50,000 thousand from 360 Capital Group Limited to partially fund the acquisition of a co-investment stake in Centuria Industrial REIT (formerly 360 Capital Industrial Fund). The loan is payable 18 months after settlement of the 360 Capital acquisition (being 9 July 2018). The Loan is secured over the investment in Centuria Industrial REIT paying a 5% interest rate. There is also a $500 thousand fee payable on the first day of the 13th month of the loan.

(iv) Reverse mortgage bill facilities and notes (current)

At reporting date, the Group had $9,589 thousand (30 June 2016: $9,800 thousand) 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) currently due to mature on 30 September 2017.

The facility limit is $15,000 thousand (30 June 2016: $15,000 thousand) 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.

11. Borrowings (continued)

	31-Dec-16 $'000	30-Jun-16 $'000
Reverse mortgage bill facilities and notes	15,000	15,000
Amount used at reporting date	(9,589)	(9,800)
Amount unused at reporting date	5,411	5,200

(v) Bank Loans – Property Funds

As part of the transaction with the 360 Capital Group, effective 31 December 2016, the Group gained control over and has therefore consolidated four new unlisted property funds. Each 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 $'000	Facility Limit $'000	Funds Available $'000	Drawn Down $'000	Borrowing Costs $'000	Drawn Down $'000
Centuria 111 St Georges Terrace Fund	Non-current	30-June-2019	74,000	3,339	70,661	(139)	70,522
Centuria Retail Fund	Non-current	30-June-2018	37,400	2,123	35,277	(114)	35,163
Centuria Havelock House Fund	Non-current	31-May-2018	13,000	1,000	12,000	(21)	11,979
Centuria 441 Murray Street Fund	Current	30-June-2017	12,000	1,159	10,841	(10)	10,831
							128,495

12. Benefit Funds policy holders' liability

	31-Dec-16 $'000	30-Jun-16 $'000
Benefit Funds policy holders' liability (current)	342,071	349,878

	Bonus Rated Benefit Funds	Unitised Benefit Funds	Total
Six months ended 31 December 2016	**$'000**	**$'000**	**$'000**
Balance at 1 July 2016	262,873	87,005	349,878
Applications received	2,658	7,901	10,559
Redemptions paid	(18,194)	(3,392)	(21,586)
Current period income	562	2,658	3,220
Balance at 31 December 2016	247,899	94,172	342,071
Six months ended 31 December 2015			
Balance at 1 July 2015	297,513	85,401	382,914
Applications received	2,884	14,513	17,397
Redemptions paid	(25,843)	(6,141)	(31,984)
Current period income	160	5,777	5,937
Balance at 31 December 2015	274,714	99,550	374,264

13. Contributed equity

Centuria Capital Limited	31-Dec-16		31-Dec-15	
	No. of securities	$'000	No. of shares	$'000
Balance at beginning of the period	76,631,699	88,058	76,756,929	88,112
Employee share scheme	-	-	-	57
Share buy-back/shares cancelled	-	-	(125,230)	(112)
Equity-based payment	563,034	356	-	-
Return of capital reinvested in CCF	-	(39,205)	-	-
Stapled securities issued (i)	150,000,000	28,800	-	-
Cost of equity raising (i)	-	(999)	-	-
Balance at end of the period	227,194,733	77,010	76,631,699	88,057

Centuria Capital Fund (non-controlling interests)	31-Dec-16	
	No. of securities	$'000
Balance at beginning of the period	-	-
Stapling dividend and return of capital reinvested	77,194,733	52,536
Stapled securities issued (i)	150,000,000	121,200
Cost of equity raising (i)	-	(5,884)
Balance at end of the period	227,194,733	167,852

(i) The Group raised equity of $150,000 thousand to fund the acquisition of 360 Capital which was unconditional as at 31 December 2016 and as such, the expected proceeds net of transaction costs have been recognised as contributed equity. Securities of 150,000,000 were subsequently issued and commenced trading on the ASX 6 January 2017.

14. 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. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of 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.

14. Financial instruments (continued)

31 December 2016	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	71,507	71,507
Trade and other receivables	Amortised cost	Not applicable	160,426	160,426
Financial assets at fair value	Fair value	Level 1	289,840	289,840
Financial assets at fair value	Fair value	Level 2	152,612	152,612
Financial assets at fair value	Fair value	Level 3	1,210	1,210
Reverse mortgage at fair value	Fair value	Level 3	45,749	45,749
			721,344	721,344
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	24,712	24,712
Liability to 360 Capital Group	Amortised cost	Not applicable	231,667	231,667
Benefit Funds policy holders' liability	Amortised cost	Not applicable	342,071	342,071
Borrowings	Amortised cost	Not applicable	223,005	221,683
Interest rate swaps at fair value	Fair value	Level 2	783	783
Interest rate swaps at fair value	Fair value	Level 3	17,119	17,119
			839,357	838,035

30 June 2016	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial assets				
Cash and cash equivalents	Amortised cost	Not applicable	84,323	84,323
Trade and other receivables	Amortised cost	Not applicable	24,522	24,522
Financial assets at fair value	Fair value	Level 1	155,895	155,895
Financial assets at fair value	Fair value	Level 2	167,634	167,634
Financial assets at fair value	Fair value	Level 3	1,214	1,214
Reverse mortgage at fair value	Fair value	Level 3	51,561	51,561
			485,148	485,148
Financial liabilities				
Trade and other payables	Amortised cost	Not applicable	9,269	9,269
Benefit Funds policy holders' liability	Amortised cost	Not applicable	349,878	349,878
Borrowings	Amortised cost	Not applicable	59,951	59,951
Interest rate swaps at fair value	Fair value	Level 2	25	25
Interest rate swaps at fair value	Fair value	Level 3	20,753	20,753
			439,876	439,876

14. Financial instruments (continued)

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.

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.

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

Six months ended 31 December 2016	Other mortgage backed assets at fair value $'000	Reverse mortgages fair value $'000	Fixed-for-life interest rate swaps $'000	Total $'000
Balance at 1 July 2016	1,214	51,561	(20,753)	32,022
Total gains in profit or loss:				
Accrued interest	-	890	(614)	276
Attributable to interest rate risk	(4)	(6,702)	6,702	(4)
Attributable to credit risk	-	-	(2,454)	(2,454)
Balance at 31 December 2016	1,210	45,749	(17,119)	29,840

Six months ended 31 December 2015	Reverse mortgages fair value $'000	Fixed-for-life interest rate swaps $'000	Total $'000
Balance at 1 July 2015	17,202	(17,576)	(374)
Total gains in profit or loss:			
Accrued interest	60	(455)	(395)
Attributable to interest rate risk	1,810	(1,810)	-
Attributable to credit risk	-	2,597	2,597
Balance at 31 December 2015	19,072	(17,244)	1,828

14. Financial instruments (continued)

(b) Significant assumptions used in determining fair value of financial assets and liabilities

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. Use is made of discounted cash flow 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.

Mortality rates for males and females have been assumed to be consistent with 2013 Life Tables. Mortality improvements of 3% p.a. are assumed starting at age 70. 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. 42% of the residential mortgage loan portfolio consists of joint lives.

15. Related party transactions

(a) Transactions with related parties

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 half-year, the following transactions occurred between the Company and key management personnel:

- Wolseley Corporate Pty Ltd, a related party of Mr Garry Charny, was paid $280,500 (1H16 $nil) for consultancy services.
- Mr. J. R. Slater (personally), Riviera Capital Pty Ltd and Tailwind Consulting Pty Ltd, related parties of Mr. Slater, were paid a total of $83,484 (1H16: $67,039) for consultancy services.
- Henry Davis York, a related party of Mr. R. Dobson, was paid $nil (1H16: $16,374) for legal consulting fees.

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

	31-Dec-16	31-Dec-15
	$'000	$'000
Management fees from Centuria Life Limited Benefit Funds	3,409	3,770
Management fees from over Fifty Guardian Friendly Society	1,283	1,097
Management fees from property funds managed by Centuria	7,006	4,800
Property transaction fees from property funds managed by Centuria	2,891	2,048
Performance fees from property funds managed by Centuria	177	6,000
	14,766	17,715

15. Related party transactions (continued)

Terms and conditions of transactions with related parties

Investments in property trusts and Benefit Funds held by certain Directors and Director-related entities are made on the same terms and conditions as all other persons. Directors and Director-related entities receive the same returns on these investments as all other investors and policyholders.

The Company and its related parties entered into transactions, which are insignificant in amount, with Directors and their Director-related entities which are made in arm's length transactions at normal market prices and on normal commercial terms.

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

(b) Related party balances

The following balances were the carrying amounts at the end of the financial period between the Group and its other related parties:

(i) Trade and other receivables

	31-Dec-16	30-Jun-16
	$'000	$'000
Monthly management fees owing from property funds	1,474	923
Sales fee receivable from Centuria Opportunity Fund No.2	-	9,600
Receivable from Centuria Zenith Fund	-	7,072
Receivable from Centuria Scarborough House Fund	3,616	-
Receivable from Centuria Metropolitan REIT	170	-
Receivable from Over Fifty Guardian Friendly Society Limited	471	216
Distribution receivable from Centuria Metropolitan REIT	113	110
Distribution receivable from Centuria Urban REIT (formerly 360 Capital Office Fund)	106	-
	5,950	17,922

15. Related party transactions (continued)

(ii) Financial assets carried at fair value

	31-Dec-2016			30- Jun-2016		
Financial assets held by the Group	**Fair value $'000**	**Units held**	**Ownership %**	**Fair value $'000**	**Units held**	**Ownership %**
Centuria Industrial REIT (formerly 360 Capital Industrial Fund)	81,414	33,148,945	15.64%	-	-	0.00%
Centuria Urban REIT (formerly 360 Capital Office Fund)	30,725	14,648,622	19.99%	-	-	0.00%
Centuria Metropolitan REIT	5,544	2,590,837	2.17%	5,544	2,590,837	2.17%
Centuria Zenith Fund	5,067	5,000,000	6.35%	-	-	0.00%
Centuria Woden Green Estate Developement Fund	1,230	1,230,000	20.24%	-	-	0.00%
Centuria ATP Fund	568	500,000	0.81%	500	500,000	0.81%
Centuria 19 Corporate Drive Fund	90	76,452	0.48%	73	75,452	0.48%
Centuria 8 Central Avenue Fund 2	29	25,000	0.04%	-	-	0.00%
Centuria Australian Shares Bond	23	10,000	0.18%	22	10,000	0.22%
Centuria Balanced Bond	18	9,821	0.10%	17	9,821	0.11%
Centuria High Growth Bond	18	10,000	0.27%	18	10,000	0.27%
Centuria Opportunity Fund 2	-	-	0.00%	503	141,531	0.69%
Centuria Australian Property and Mortgage Bond Fund	-	-	0.00%	-	18	0.00%
	124,726			6,677		
Financial assets held by the Benefit Funds						
Centuria Balanced Bond						
Centuria 8 Australia Avenue Fund	1,562	1,458,635	7.69%	1,327	1,458,635	7.69%
Centuria Metropolitan REIT	764	357,143	0.30%	765	357,143	0.30%
Centuria Growth Bond Fund						
Centuria Metropolitan REIT	10,142	4,739,200	3.97%	10,142	4,739,200	3.97%
	12,468			12,234		
	137,194			18,911		

16. Dividends

	31-Dec-16		31-Dec-15	
	Cents per security	Total $'000	Cents per share	Total $'000
Recognised amounts				
Final year-end dividend (fully franked)	3.00	2,316	2.75	2,109
Stapling dividend (fully franked)	17.27	13,331	-	-
Interim dividend for 31 December 2016 (fully franked) (i)	1.50	1,158	-	-
Interim distribution for 31 December 2016 (i)	0.80	618	-	-
	22.57	17,423	2.75	2,109

(i) The Company declared an interim dividend/distribution in respect of the half year ended 31 December 2016 of 2.30 cents per stapled security. The interim dividend had a record date of 6 January 2017 is payable on 24 February 2017. The total amount payable of $1,776 thousand has been provided as a liability in these interim financial statements.

17. Business combinations

(a) Stapling

The stapling of the Company and CCF was approved at an Extraordinary General Meeting of the shareholders of the Company on 10 October 2016. Following approval of the stapling, shares in the Company and units in CCF were stapled to one another on 17 October 2016 and are traded as a single security on the ASX.

CCF was established by the transfer of the Company's interest in Centuria Metropolitan REIT ('CMA') and other Co-investments to CCF in exchange for $52,536 thousand in equity of CCF. Assets transferred to CCF were transferred at fair value. As the co-investments were already held at fair value, there was no impact on the consolidated net assets. CCL distributed $52,536 thousand of its units in CCF to its shareholders through a $13,331 thousand dividend and a capital distribution of $39,205 thousand.

In relation to the stapling of the Company and CCF, the Company is identified as the parent of the Group with the acquisition accounted for as a change in ownership without a loss of control. The issued units of CCF are not owned by the Company and are presented as non-controlling interests in the Group even though units in CCF are held directly by the shareholders of the Company.

The equity in the net assets of CCF and the profit/(loss) arising from those net assets have been separately identified in the statements of comprehensive income and financial position. CCF's contributed equity and retained earnings/accumulated losses are shown as a non-controlling interest in this interim financial report in accordance with accounting standards.

(b) 360 Capital acquisition

On 23 November 2016, the Group announced the purchase of all of the shares in Centuria Property Funds No. 2 Limited (formerly 360 Capital Investment Management Limited) ('CPF2L') and associated management rights over listed and unlisted property investment funds for which CPF2L is the responsible entity from 360 Capital Group Limited ('360 Capital'). Also as part of the acquisition, the Group agreed to acquire various stakes in those listed and unlisted funds.

This acquisition is part of the Group's strategy in growing its property funds management platform and increasing recurring revenues through additional co-investment in managed funds.

As the Transaction was unconditional as at 31 December 2016, the impacts of the Transaction have been recognised in the Group's financial statements.

17. Business combinations (continued)

Details of the purchase consideration, the net assets acquired and goodwill recognised are as follows:

	31-Dec-16 $'000
Purchase consideration	
Liability to 360 Captial Group (settled on 9 January 2017)	169,836
Loan from 360 Capital Group	50,000
Call and put option liability	60,123
Contingent consideration (ii)	1,763
Total purchase consideration	281,722

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

	Fair value $'000
Cash and cash equivalents	17,608
Investment Properties (refer to Note 9)	249,700
Receivables	2,748
Payables	(6,509)
Borrowings	(128,495)
Derivative Financial Instruments	(757)
Co-investment in Centuria Industrial REIT (CIP)	81,414
Co-investment in Centuria Urban REIT (CUA)	30,725
Management rights (indefinite life)	92,128
Net identifiable assets acquired	338,562
Less: non-controlling interest	(67,940)
Add: goodwill attributable to the acquistion of 360 Capital	11,100
	281,722

(i) Transaction related costs

Transaction related costs of $9,591 thousand were incurred of which $2,708 thousand are included in expenses in profit or loss and $6,883 thousand are recognised directly in contributed equity.

(ii) Contingent consideration

The contingent consideration arrangement requires the Group to guarantee the distribution yield on co-investment stakes in unlisted property funds subject to put and call options to 7.5%. The contingent consideration liability recognised reflects the Group's expectation of the fair value of the amounts to be paid over the contingent period. The distributions are expected to be less than the guaranteed return.

18. Subsequent events

(a) Issue of Performance Rights

On 1 January 2017, the Company issued 1,835,393 Performance Rights under the Centuria Capital Limited Executive Incentive Plan.

Each Performance Right is an entitlement to one ordinary Stapled Security in the Centuria Capital Group, subject to satisfaction or waiver, of the relevant performance condition. The Performance conditions are measured over 3 years from 1 July 2016 to 30 June 2019 and are based on EPS and Key Strategic Goal measures.

The issuance of Performance Rights to Executive Directors was approved at the Company's Annual General Meeting on 29 November 2016.

(b) Completion of 360 Capital acquisition

The acquisition of shares in CPF2L and the interests in the listed and unlisted property investment funds was settled on 9 January 2017. As at 31 December 2016, no cash flows had arisen in respect of the Transaction, with the exception of payment of certain transaction costs.

Subsequent to the end of the reporting period, on 9 January 2017, the following cash flows relating to the settlement of the Transaction occurred:

- $144,300 thousand net inflow in respect of the proceeds from the capital raising (net of the underwriting fee);
- $50,000 thousand inflow from the proceeds of the vendor loan;
- $103,791 thousand outflow in respect of the acquisition of shares in CPF2L;
- $83,031 thousand outflow in respect of the acquisition of the co-investment stake in CIP; and
- $33,015 thousand outflow in respect of the acquisition of the co-investment stake in CUA.

Except for the matters above, no other matter or circumstance has arisen in the interval between 31 December 2016 and the date hereof that has significantly affected or may significantly affect:

(i) the Group's operations in the current and future financial years; or

(ii) the results of those operations in the current and future financial years; or

(iii) the Group's state of affairs in the current or future financial years.

Directors' declaration

In the Directors' opinion:

(a) the consolidated interim financial statements and notes that are set out on pages 5 to 34 are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the six months ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; 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.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

For and on behalf of the Board

G. Charny
Chairman Director

P.J.Done
Chairman - Audit, Risk Management & Compliance Committee

Sydney

23 February 2016

Independent Auditor's Review Report

To the members of Centuria Capital Group

Report on the Interim Financial Report

Conclusion

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 Limited is not in accordance with the *Corporations Act 2001*, including:

i) giving a true and fair view of the ***Group's*** financial position as at 31 December 2016 and of its performance for the ***Interim Period*** ended on that date; and

ii) complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Interim Financial Report*** comprises:

- the consolidated statement of financial position as at 31 December 2016.
- consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the Interim Period ended on that date
- Notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Centuria Capital Limited (the Company) and the entities it controlled at the Interim Period's end or from time to time during the Interim Period.

The ***Interim Period*** is the 6 months ending on 31 December 2016.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company 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
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the interim period ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Capital Limited, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of Interim Period 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

KPMG

Nigel Virgo

Partner

Sydney

23 February 2017