

## Centuria Diversified Property Fund

A stapled entity comprised of CDPF Stapled Fund No. 1 (ARSN 124 364 718) and CDPF Stapled Fund No. 2 (ARSN 124 364 656)

Annual Financial Report  
30 June 2012

ARSN 115 588 317

# Centuria Diversified Property Fund

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# Centuria Diversified Property Fund

## Directors' report

The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Diversified Property Fund ('the Scheme'), being a stapled scheme consisting of CDPF Stapled Fund No. 1 ('the Parent') and CDPF Stapled Fund No. 2, present their report together with the financial report of the Scheme for the year ended 30 June 2012 and the independent auditor's report thereon.

### Responsible Entity

The directors of Centuria Property Funds Limited during or since the end of the financial year are:

John McBain	Appointed 5 March 1999. Director of Centuria Capital Limited.
Jason Huljich	Appointed 30 March 2001. Director of Centuria Capital Limited.
Peter Done	Appointed 5 December 2007. Director of Centuria Capital Limited.
Deepak Gupta	Appointed 5 December 2007. Director of Centuria Capital Limited.

The company secretaries of Centuria Property Funds Limited during or since the end of the financial year are:

Terrence Reid	Appointed in December 2007.
Matthew Coy	Appointed in October 2009.

### Principal activities

The Scheme is a registered managed investment scheme domiciled in Australia.

The investment activities of the Scheme continued to be in accordance with the investment policy of the Scheme as outlined in the product disclosure statement, with the key asset category being investment property.

The Scheme did not have any employees during the year.

### Significant change in the state of affairs

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the financial year.

### Review of operations

#### Results

The results of the operations of the Scheme are disclosed in the consolidated statement of comprehensive income of these financial statements. The Scheme's profit from continuing operations for the year ended 30 June 2012 was \$3,200,278 (2011: \$1,100,517 loss).

#### Distributions

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

	30 Jun 2012 \$	30 Jun 2011 \$
September quarter	-	-
December quarter	-	-
March quarter	-	-
June quarter	-	-
	-	-

The Responsible Entity has elected to suspend distributions, in accordance with the Scheme's constitution, as of March 2010.

# Centuria Diversified Property Fund

## Directors' report

### Other items

#### **Auditor's independence declaration**

The auditor's independence declaration is set out on page 4 and forms part of the directors' report for year ended 30 June 2012.

#### **Likely developments**

Disclosure of information regarding likely developments in the operations of the Scheme in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Scheme. Accordingly, this information has not been disclosed in this report.

#### **Environmental regulation**

The Scheme's operations are not subject to any significant environmental regulation under Commonwealth, State or Territory legislation.

#### **Events subsequent to balance date**

On 6 September 2012, the directors of Centuria Capital Limited resolved to extend the maturity date of the convertible note to 30 September 2013. Refer to Note 9 for the terms and conditions of the convertible note.

There has not arisen in the interval between the end of the financial year and the date of this report any other item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to significantly affect the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

### **Scheme information in the directors' report**

The following fees were paid and/or payable to the Responsible Entity and its associates out of Scheme property during the financial year:

	30 Jun 2012	30 Jun 2011
	\$	\$
Finance costs	332,462	84,051
Leasing fees	156,447	141,791
Property management fees	68,121	46,676
Management fees	630,204	575,604
Other professional fees	28,392	-
	<u>1,215,626</u>	<u>848,122</u>

The Responsible Entity and/or its associates have held units in the Scheme during the financial year as outlined in Note 15 to the financial statements.

The number of units in the Scheme issued and redeemed during the financial year, and the balance of issued units at the end of the financial year are disclosed in Note 10 to the financial statements.

The value of the Scheme's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as "Total assets" and the basis of valuation is included in Note 1 to the financial statements.

# Centuria Diversified Property Fund

## Directors' report

### Indemnifying officers or auditors

#### **Indemnification**

Under the Scheme constitution the Responsible Entity, including its officers and employees, is indemnified out of the Scheme's assets for any loss, damage, expense or other liability incurred by it in properly performing or exercising any of its powers, duties or rights in relation to the Scheme.

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

#### **Insurance premiums**

The Responsible Entity has paid insurance premiums in respect of directors' and officers' liability and legal expense insurance contracts, for current and former directors and officers, including senior executives of the Responsible Entity.

Signed in accordance with a resolution of the board of directors of Centuria Property Funds Limited made pursuant to s.298(2) of the Corporations Act 2001.

J McBain  
Director

Dated at Sydney this

7<sup>TH</sup>

day of

SEPTEMBER

J Hullich  
Director

2012.



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

To: the directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Diversified Property Fund (a stapled entity comprising CDPF Stapled Fund No. 1 and CDPF Stapled Fund No. 2)

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2012 there have been:

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

KPMG

Steven Gatt  
*Partner*

Sydney

7 September 2012

# Centuria Diversified Property Fund

## Consolidated statement of comprehensive income

For the year ended 30 June 2012

	Note	30 Jun 2012 \$	30 Jun 2011 \$
<b>Continuing operations</b>			
<b>Revenue</b>			
Rent and recoverable outgoings		10,986,219	8,452,862
<b>Other income</b>			
Interest income	2	17,328	21,659
Gain in fair value of investment property	6	5,556,468	-
Gain in fair value of derivative financial instruments		-	672,682
Other income		5,857	1,537
<b>Expenses</b>			
Loss in fair value of investment property	6	-	(624,482)
Loss in fair value of derivative financial instruments		(2,255,067)	-
Rates, taxes and other property outgoings		(3,637,687)	(3,562,555)
Finance costs		(6,427,700)	(5,059,599)
Management fees	15	(630,204)	(575,604)
Professional fees		(297,717)	(336,727)
Trustee/custodian fees		(33,409)	(33,366)
Auditor's remuneration	3	(24,745)	(13,500)
Other expenses		(59,065)	(43,424)
<b>Profit/(loss) from continuing operations for the year</b>		<b>3,200,278</b>	<b>(1,100,517)</b>
<b>Net profit/(loss) for the year</b>		<b>3,200,278</b>	<b>(1,100,517)</b>
<b>Other comprehensive income</b>			
<b>Other comprehensive income for the year</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income/(loss) for the year</b>		<b>3,200,278</b>	<b>(1,100,517)</b>
<b>Net profit/(loss) attributable to:</b>			
Unitholders of the Parent	12	1,755,329	(92,236)
Non-controlling interest	11	1,444,949	(1,008,281)
		<b>3,200,278</b>	<b>(1,100,517)</b>
<b>Total comprehensive income/(loss) attributable to:</b>			
Unitholders of the Parent		1,755,329	(92,236)
Non-controlling interest		1,444,949	(1,008,281)
		<b>3,200,278</b>	<b>(1,100,517)</b>

The notes on pages 9 to 29 form an integral part of these financial statements.

# Centuria Diversified Property Fund

## Consolidated statement of financial position

As at 30 June 2012

	Note	30 Jun 2012 \$	30 Jun 2011 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4(a)	1,091,412	1,293,693
Trade and other receivables	5	774,281	155,137
Other	7	232,728	195,456
<b>Total current assets</b>		<b>2,098,421</b>	<b>1,644,286</b>
<b>Non-current assets</b>			
Trade and other receivables	5	4,265,138	2,547,284
Investment property	6	101,185,416	95,218,848
<b>Total non-current assets</b>		<b>105,450,554</b>	<b>97,766,132</b>
<b>Total assets</b>		<b>107,548,975</b>	<b>99,410,418</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	8	2,275,021	960,683
Borrowings	9	2,706,316	61,848,391
<b>Total current liabilities</b>		<b>4,981,337</b>	<b>62,809,074</b>
<b>Non-current liabilities</b>			
Borrowings	9	62,845,000	2,334,051
Derivative financial instruments	14	3,610,422	1,355,355
<b>Total non-current liabilities</b>		<b>66,455,422</b>	<b>3,689,406</b>
<b>Total liabilities</b>		<b>71,436,759</b>	<b>66,498,480</b>
<b>Net assets</b>		<b>36,112,216</b>	<b>32,911,938</b>
<b>Unitholder funds</b>			
Issued units	10	29,255,257	29,255,257
Non-controlling interest	11	17,054,204	15,609,255
Accumulated losses	12	(10,197,245)	(11,952,574)
<b>Total unitholder funds</b>		<b>36,112,216</b>	<b>32,911,938</b>

The notes on pages 9 to 29 form an integral part of these financial statements.



# Centuria Diversified Property Fund

## Consolidated statement of changes in equity

For the year ended 30 June 2012

	Note	Issued units \$	Non- controlling interest \$	Accumulated losses \$	Total equity \$
Balance at 1 Jul 2010		29,255,257	16,617,536	(11,860,338)	34,012,455
Net loss for the year		-	(1,008,281)	(92,236)	(1,100,517)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	(1,008,281)	(92,236)	(1,100,517)
Applications	10	-	-	-	-
Redemptions	10	-	-	-	-
Distributions to unitholders	13	-	-	-	-
<b>Balance at 30 Jun 2011</b>		<b>29,255,257</b>	<b>15,609,255</b>	<b>(11,952,574)</b>	<b>32,911,938</b>
Net profit for the year		-	1,444,949	1,755,329	3,200,278
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		-	1,444,949	1,755,329	3,200,278
Applications	10	-	-	-	-
Redemptions	10	-	-	-	-
Distributions to unitholders	13	-	-	-	-
<b>Balance at 30 Jun 2012</b>		<b>29,255,257</b>	<b>17,054,204</b>	<b>(10,197,245)</b>	<b>36,112,216</b>

The notes on pages 9 to 29 form an integral part of these financial statements.

# Centuria Diversified Property Fund

## Consolidated statement of cash flows

For the year ended 30 June 2012

	Note	30 Jun 2012 \$	30 Jun 2011 \$
<b>Cash flows from operating activities</b>			
Receipts from customers		9,520,357	7,020,372
Payments to suppliers		(4,378,382)	(5,263,285)
Interest received		17,328	21,814
Interest paid		(5,798,749)	(4,368,430)
<b>Net cash used in operating activities</b>	4(b)	<u>(639,446)</u>	<u>(2,589,529)</u>
<b>Cash flows from investing activities</b>			
Payments for investment property		(410,100)	(1,529,272)
<b>Net cash used in investing activities</b>		<u>(410,100)</u>	<u>(1,529,272)</u>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		1,047,265	5,398,749
Payments to procure borrowings		(200,000)	(711,285)
<b>Net cash generated by financing activities</b>		<u>847,265</u>	<u>4,687,464</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		(202,281)	568,663
Cash and cash equivalents at beginning of financial year		1,293,693	725,030
<b>Cash and cash equivalents at end of financial year</b>	4(a)	<u><b>1,091,412</b></u>	<u><b>1,293,693</b></u>

The notes on pages 9 to 29 form an integral part of these financial statements.

# Centuria Diversified Property Fund

## Notes to the financial statements

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# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies

#### (a) Statement of compliance and basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards including interpretations, and complies with other requirements of the law.

The financial report of the Scheme complies with all Australian equivalents to International Financial Reporting Standards ("AIFRS") in their entirety. Compliance with AIFRS ensures that the financial statements and notes of the Scheme comply with International Financial Reporting Standards ("IFRS").

The financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds Limited, the Responsible Entity, on 7 September 2012.

In the application of AIFRS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to the valuation of investment property and derivative financial instruments.

Judgements made by management in the application of AIFRS that have significant effects on the financial statements and estimates with significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2012 and the comparative information presented in these financial statements.

#### (b) Adoption of new and revised accounting standards

In the current year, the Scheme has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting year. The adoption of these new and revised Standards and Interpretations has not had any significant impact on the amounts reported in these financial statements.

#### (c) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Scheme in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing these financial statements:

- AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'. Effective for annual reporting periods beginning on or after 1 July 2012.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies (continued)

#### (c) New standards and interpretations not yet adopted (continued)

- AASB 9 'Financial Instruments', AASB 2009-11 and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9'. Effective for annual reporting periods beginning on or after 1 January 2013.
- AASB 10 'Consolidated Financial Statements'. Effective for annual reporting periods beginning on or after 1 January 2013.
- AASB 13 'Fair Value Measurement', AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'. Effective for annual reporting periods beginning on or after 1 January 2013.
- AASB 127 'Separate Financial Statements (2011)'. Effective for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'. Effective for annual reporting periods beginning on or after 1 January 2013.
- AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'. Effective for annual reporting periods beginning on or after 1 July 2013.

The directors do not anticipate that the above standards will have a significant effect on the amounts or disclosures reported in these financial statements.

#### (d) Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Scheme's functional currency.

#### (e) Basis of consolidation

##### *i. Stapled scheme*

Centuria Diversified Property Fund was established for the purpose of facilitating a relationship between CDPF Stapled Fund No. 1 and CDPF Stapled Fund No. 2. The Scheme was formed by stapling units in CDPF Stapled Fund No. 1 and CDPF Stapled Fund No. 2. Unitholders in the Scheme have an equal interest in each stapled entity within the Scheme.

In accordance with AASB 3, the Scheme is required to appoint a parent under the stapling arrangement. CDPF Stapled Fund No. 1 has been appointed parent of the Scheme. On the basis that there is no ownership interest between the entities involved in the stapling arrangement, the net assets and profit or loss of CDPF Stapled Fund No. 2 are disclosed separately as a non-controlling interest.

The stapling arrangement will cease upon the earlier of the winding up of any of the stapled entities, or any of the entities terminating the stapling arrangement.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies (continued)

#### (e) Basis of consolidation (continued)

##### i. Stapled scheme (continued)

The purchase method of accounting is used to account for business combinations including the acquisition of controlled entities. The purchase method views a business combination from the perspective of the combining entity that is identified as the acquirer. The acquirer purchases net assets and recognises, at fair value, the assets acquired and liabilities and contingent liabilities assumed, including those previously recognised by the acquiree. As the stapling arrangement does not involve one of the combining entities obtaining an ownership interest in another combining entity, no goodwill or excess of acquirer's interest in the net fair value of an acquiree's identifiable assets, liabilities and contingent liabilities over acquisition cost is recognised in relation to the stapling arrangement.

##### ii. General consolidation

The consolidated financial statements incorporate the financial statements of the Scheme and entities controlled by the Scheme. Control is achieved where the Scheme has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the consolidated group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets attributable to unitholders of consolidated subsidiaries are identified separately from the Scheme's unitholders. Non-controlling interests consist of the amount of those interests at the date of original business combination and the non-controlling share of changes in net assets attributable to unitholders since the date of the combination.

##### iii. Subsidiaries

In addition to the stapled entities noted above, which are deemed subsidiaries, the consolidated financial statements include the assets, liabilities and results of the following subsidiaries:

	Controlling Interest (%)	
	30 Jun 2012	30 Jun 2011
Centuria Diversified Property Trust	50	50

CDPF Stapled Fund No. 1 holds a 50% interest in Centuria Diversified Property Trust. The remaining 50% interest is held by CDPF Stapled Fund No. 2. As a result, 50% of the net assets and profit or loss of Centuria Diversified Property Trust are disclosed separately as a non-controlling interest.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies (continued)

#### (f) Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, cash in banks and investments in money market instruments and other short term highly liquid investments, net of outstanding bank overdrafts.

#### (g) Investments

##### *i. Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method, less impairment losses.

##### *ii. Investment property*

Investment property is property held either to earn rental income or for capital appreciation or for both. Investment property is initially recorded at cost which includes acquisition costs. Subsequently, the investment property is measured at fair value with any change therein recognised in profit or loss.

In accordance with the Scheme's constitution, the Responsible Entity has the option of performing property valuations internally.

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

The valuations were prepared by considering the following valuation methodologies:

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

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

# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies (continued)

#### (h) Impairment

The carrying amounts of the Scheme's assets, other than those recorded at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised directly in profit or loss.

#### (i) Financial instruments

##### *i. Derivative financial instruments*

The Scheme holds derivative financial instruments to hedge its interest rate exposures.

Derivatives are initially recognised at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

##### *ii. Cash and fair value hedges*

The Scheme has not applied hedge accounting to its derivative financial instruments.

#### (j) Payables

Trade payables and other accounts payable are recognised when the Scheme becomes obliged to make future payments resulting from the purchase of goods and services.

#### (k) Borrowings

Borrowings are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest rate method with any difference between the initial and recognised amount and redemption value being recognised in profit or loss over the period of borrowing.

#### (l) Provisions

A provision is recognised if, as a result of a past event, the Scheme has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### (m) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. In accordance with AASB 132, unitholders funds are classified as 'equity instruments' and are therefore classified as equity and disclosed as such in the consolidated statement of financial position.



# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies (continued)

#### (n) Applications and redemptions

Applications received for units in the Scheme are recorded net of any entry fees payable prior to the issue of units in the Scheme. Redemptions from the Scheme are recorded gross of any exit fees payable after cancellation of units redeemed. The application and redemption prices are determined as the net asset value of the Scheme adjusted for the estimated transaction costs divided by number of units on issue on the date of the application or redemption.

#### (o) Revenue

##### *i. Rental income*

Rental income from investment property is recognised in profit or loss on a straight line basis over the term of the lease. Rental income not received at reporting date is reflected in the consolidated statement of financial position as a receivable. If rents are paid in advance these amounts are recorded as rent received in advance in the consolidated statement of financial position.

Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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

##### *ii. Interest income*

Interest income is recognised in profit or loss as it accrues, using the effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

##### *iii. Recoverable outgoings*

Recovery of outgoings are recognised on an accrual basis.

#### (p) Expenses

##### *i. Finance costs*

Finance costs include interest expense. Interest expense is recognised in profit or loss as it accrues. Finance costs are recognised using the effective interest rate applicable to the financial liability.

##### *ii. Other expenses*

All other expenses, including management fees and custodian fees, are recognised in profit or loss on an accruals basis. Other operating expenses include legal, accounting and audit fees.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 1. Summary of significant accounting policies (continued)

#### (q) Distribution and taxation

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

Under current legislation, and in accordance with the Scheme's constitution, the Scheme is subject to income tax at a rate 46.50% on the balance of taxable income not distributed to the unitholders. In the current year, the Scheme has fully distributed its taxable income.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

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

Distributions paid and payable are recognised as distributions within equity. A liability is recognised where distributions have not been paid. Distributions paid are included in cash flows from financing activities in the consolidated statement of cash flows.

#### (r) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO) as an input tax credit (ITC).

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included in receivables or payables in the consolidated statement of financial position.

Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the ATO is classified as operating cash flows.

# Centuria Diversified Property Fund

## Notes to the financial statements

### **1. Summary of significant accounting policies (continued)**

#### **(s) 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.

At 30 June 2012, the Scheme has a net current asset deficiency of \$2,882,916 as a result of a convertible note issued to Centuria Capital Limited that matures on 25 February 2013.

On 6 September 2012, the directors of Centuria Capital Limited resolved to extend the maturity date of the convertible note to 30 September 2013. As a result, the net current asset deficiency does not exist at the date of signing this report. Refer to Note 9 for the terms and conditions of the convertible note.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe the basis of preparation of the financial report on a going concern basis is appropriate.

# Centuria Diversified Property Fund

## Notes to the financial statements

	30 Jun 2012 \$	30 Jun 2011 \$
<b>2. Interest income</b>		
Interest income arising from:		
Cash and cash equivalents	17,328	21,659
	<u>17,328</u>	<u>21,659</u>
<b>3. Auditor's remuneration</b>		
KPMG (2011: KPMG)		
Audit and review of financials	24,745	13,500
	<u>24,745</u>	<u>13,500</u>
<b>4(a) Cash and cash equivalents</b>		
Current deposits with banks	1,091,412	1,293,693
	<u>1,091,412</u>	<u>1,293,693</u>
<b>4(b) Reconciliation of cash flows from operating activities</b>		
Net profit/(loss) for the year	3,200,278	(1,100,517)
Adjustments for:		
(Gain)/loss in fair value of investment property	(5,556,468)	624,482
Loss/(gain) in fair value of derivatives	2,255,067	(672,682)
Borrowing cost amortisation	521,609	490,831
Changes in operating assets and liabilities:		
Increase in receivables	(2,336,998)	(2,069,637)
(Increase)/decrease in other assets	(37,272)	66,757
Increase in payables	1,314,338	71,237
Cash flows from operating activities	<u>(639,446)</u>	<u>(2,589,529)</u>
<b>5. Trade and other receivables</b>		
Current		
Trade debtors	603	14,967
Security deposits receivable	5,125	-
Deferred rent	749,446	133,868
Other current receivables	19,107	6,302
	<u>774,281</u>	<u>155,137</u>
Non-current		
Deferred rent	4,265,138	2,547,284
	<u>4,265,138</u>	<u>2,547,284</u>

Other receivables are not considered to be financial assets. The Scheme expects to recover the total carrying amount of receivables.

# Centuria Diversified Property Fund

## Notes to the financial statements

	30 Jun 2012 \$	30 Jun 2011 \$
<b>6. Investment property</b>		
Opening balance	97,900,000	94,900,000
Capital improvements	410,100	1,529,272
Change in deferred rent	2,333,432	2,095,210
Change in fair value	5,556,468	(624,482)
	<u>106,200,000</u>	<u>97,900,000</u>
Less: Total deferred rent	(5,014,584)	(2,681,152)
Closing balance	<u>101,185,416</u>	<u>95,218,848</u>

Property	30 June 2012 Fair Value	30 June 2012 Valuer	Last Independent Valuation
3 Carlingford Road, Epping	17,200,000	Independent	30 Jun 2012
44 Hampden Road, Artarmon	7,200,000	Independent	30 Jun 2012
1 Richmond Road, Keswick	23,400,000	Director	31 Dec 2011
9 Help Street, Chatswood	42,100,000	Director	31 Dec 2011
14 Mars Road, Lane Cove	16,300,000	Director	31 Dec 2011
	<u>106,200,000</u>		

### Leases as lessor

The Scheme leases out investment property under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	30 Jun 2012 \$	30 Jun 2011 \$
Less than one year	8,586,331	8,582,991
Between one and five years	21,869,708	11,593,213
More than five years	5,404,894	7,859,870
	<u>35,860,933</u>	<u>28,036,074</u>

### 7. Other assets

Current		
Prepayments	232,728	195,456
	<u>232,728</u>	<u>195,456</u>

### 8. Trade and other payables

Current		
Trade creditors and expenses payable	1,255,345	259,164
Interest payable*	435,961	328,619
Security deposits payable	4,675	-
Other current creditors and accruals	579,040	372,900
	<u>2,275,021</u>	<u>960,683</u>

\*Included in interest payable as at 30 June 2012 is \$332,463 which relates to the convertible note issued to Centuria Capital Limited. The amount is due for payment on maturity of the note. As at the date of signing of this report, as a result of the extension of the maturity date of the convertible note (refer to Note 9), this interest payable is a non-current liability. Refer to Note 15 for further details on amounts payable to related parties.

Other creditors and accruals are not considered to be financial liabilities.

# Centuria Diversified Property Fund

## Notes to the financial statements

	30 Jun 2012 \$	30 Jun 2011 \$
<b>9. Borrowings</b>		
Current		
Convertible note - related party	2,706,316	-
Secured loans	-	62,370,000
Borrowing costs	-	(521,609)
	<u>2,706,316</u>	<u>61,848,391</u>
Non-current		
Convertible note - related party	-	2,334,051
Secured loans	63,045,000	-
Borrowing costs	(200,000)	-
	<u>62,845,000</u>	<u>2,334,051</u>

The convertible note issued to Centuria Capital Limited bears interest at 10% (2011: 10%) and is unsecured. The note matures on 25 February 2013. The noteholder may at any time on or after, but not before, the maturity date, convert the convertible note into issued units in the Scheme at an issue price calculated on the conversion date in accordance with the Scheme's constitution.

On 6 September 2012, the directors of Centuria Capital Limited resolved to extend the maturity date of the convertible note to 30 September 2013.

The secured loans are secured by first mortgages over the Scheme's investment properties and a first ranking fixed and floating charge over all assets of the Scheme. The loan is interest bearing at 6.25% as at 30 June 2012 and is due for repayment on 30 June 2014.

At 30 June 2012, the Scheme had undrawn facilities on its secured loans of \$5,055,000.

The secured loans have covenants in relation to Loan to Value Ratio ("LVR"), Interest Coverage Ratio ("ICR"), Weighted Average Lease Expiry ("WALE") and Forward Looking Interest Coverage Ratio ("FLICR") which it has complied with during the year.

	30 Jun 2012		30 Jun 2011	
	Units	\$	Units	\$
<b>10. Issued units - unitholders of the parent</b>				
Opening balance	82,823,960	29,255,257	82,823,960	29,255,257
Applications	-	-	-	-
Redemptions	-	-	-	-
Closing balance	<u>82,823,960</u>	<u>29,255,257</u>	<u>82,823,960</u>	<u>29,255,257</u>

CDPF Stapled Fund No. 1 has been designated parent of the Scheme. All units in the Scheme are of the same class and carry equal rights to capital and income distributions. The Scheme is a closed fund and does not accept any further applications for units in the Scheme.

# Centuria Diversified Property Fund

## Notes to the financial statements

	30 Jun 2012		30 Jun 2011	
	Units	\$	Units	\$
<b>11. Non-controlling interest</b>				
Opening balance	82,823,960	15,609,255	82,823,960	16,617,536
Applications	-	-	-	-
Redemptions	-	-	-	-
Other comprehensive income	-	-	-	-
Net profit/(loss) attributable to non-controlling interest	-	1,444,949	-	(1,008,281)
Closing balance	82,823,960	17,054,204	82,823,960	15,609,255

On the basis that there is no ownership interest between the entities involved in the stapling arrangement, the net assets and profit or loss of CDPF Stapled Fund No. 2 are disclosed separately as a non-controlling interest.

	30 Jun 2012	30 Jun 2011
	\$	\$
<b>12. Accumulated losses</b>		
Opening balance	(11,952,574)	(11,860,338)
Net profit/(loss) attributable to unitholders of the parent	1,755,329	(92,236)
Closing balance	(10,197,245)	(11,952,574)

	30 Jun 2012		30 Jun 2011	
	Cents per unit	\$	Cents per unit	\$
<b>13. Distributions paid and payable</b>				
September quarter	-	-	-	-
December quarter	-	-	-	-
March quarter	-	-	-	-
June quarter	-	-	-	-
	-	-	-	-

The Responsible Entity has elected to suspend distributions, in accordance with the Scheme's constitution, as of March 2010.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 14. Financial instruments

#### A. Capital risk management

The capital structure of the Scheme consists of cash and cash equivalents and the proceeds from the issue of the units of the Scheme.

The risk associated with meeting redemption requests is minimal as the Responsible Entity has discretion in approving redemptions.

The Scheme has no restrictions or specific capital requirements on the application and redemption of units, other than the approval of the Responsible Entity.

The Scheme's overall investment strategy remains unchanged from the prior year.

#### B. Categories of financial instruments

The Scheme has investment in the following categories of financial assets and liabilities:

	30 Jun 2012	30 Jun 2011
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	1,091,412	1,293,693
Receivables	5,728	14,967
	<u>1,097,140</u>	<u>1,308,660</u>
<b>Financial liabilities</b>		
Fair value through profit or loss (FVTPL)		
Derivative financial instruments	3,610,422	1,355,355
Payables and borrowings (excluding borrowing costs)	67,447,297	65,291,834
	<u>71,057,719</u>	<u>66,647,189</u>

These financial assets and liabilities are recognised in accordance with the accounting policies described in Note 1 to the financial statements.

#### C. Financial risk management objectives

The Scheme is exposed to a variety of financial risks as a result of its activities. These risks include market risk (only interest rate risk), credit risk and liquidity risk. The Scheme's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Scheme's financial performance.



# Centuria Diversified Property Fund

## Notes to the financial statements

### 14. Financial instruments (continued)

#### D. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. The Scheme's activities expose it primarily to the financial risks of changes in interest rates. The Scheme enters into derivative financial instruments to manage its exposure to interest rate risk and these include interest rate swaps that the Scheme has entered into to mitigate the risk of rising interest rates.

There has been no change to the Scheme's exposure to market risks or the manner in which it manages and measures the risk from the previous year.

#### *Interest rate risk management*

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at reporting date:

	Note	30 Jun 2012		30 Jun 2011	
		Effective interest rate	Total \$	Effective interest rate	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	4(a)	1.87%	1,091,412	2.97%	1,293,693
			<u>1,091,412</u>		<u>1,293,693</u>
<b>Financial liabilities</b>					
Derivative financial instruments		5.47%	3,610,422	6.37%	1,355,355
Borrowings (excluding borrowing costs)	9	6.40%	65,751,316	6.49%	64,704,051
			<u>69,361,738</u>		<u>66,059,406</u>

The sensitivity analysis below has been determined based on the Scheme's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates. A 100 (2011: 100) basis point increase or decrease is used when assessing the effect.

At reporting date, if variable interest rates had been 100 (2011: 100) basis points higher or lower and all other variables were held constant, the impact to the Scheme would have been as follows:

	Variable + / -	Sensitivity impact	
		Rate increase \$	Rate decrease \$
<b>30 Jun 2012</b>			
Net profit/(loss)	1.00%	1,427,854	(1,470,412)
		<u>1,427,854</u>	<u>(1,470,412)</u>
<b>30 Jun 2011</b>			
Net profit/(loss)	1.00%	924,030	(960,429)
		<u>924,030</u>	<u>(960,429)</u>

The Scheme's sensitivity to interest rates has increased during the current year mainly due to the fair value impact of the extension of interest rate swap contracts to March 2015 that occurred during the year. The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 14. Financial instruments (continued)

#### D. Market risk (continued)

##### **Interest rate swap contracts**

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

At 30 June 2012, the Scheme had interest rate swaps with a notional contract amount of \$63,045,000 (2011: \$54,957,500). The fair value of the interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract.

The following tables detail the specific instruments held, showing the notional principal amounts and contracted fixed interest rate of each contract:

Type of contract	Expiration	Contracted fixed interest rate	Notional amount of contract \$	Fair value (assets) \$	Fair value (liabilities) \$
<b>30 Jun 2012</b>					
Interest rate swap	31 Dec 2012	3.78%	8,087,500	-	(20,433)
Interest rate swap	23 Mar 2015	6.25%	23,875,000	-	(1,832,867)
Interest rate swap	23 Mar 2015	4.63%	4,843,750	-	(187,643)
Interest rate swap	23 Mar 2015	5.90%	13,170,000	-	(947,131)
Interest rate swap	23 Mar 2015	4.97%	13,068,750	-	(622,348)
			<b>63,045,000</b>	<b>-</b>	<b>(3,610,422)</b>
<b>30 Jun 2011</b>					
Interest rate swap	28 Dec 2011	6.48%	4,843,750	-	(35,531)
Interest rate swap	04 May 2012	6.20%	13,068,750	-	(159,831)
Interest rate swap	31 Dec 2012	7.00%	13,170,000	-	(356,677)
Interest rate swap	23 Mar 2015	6.10%	23,875,000	-	(803,316)
			<b>54,957,500</b>	<b>-</b>	<b>(1,355,355)</b>

#### E. Credit risk

The Scheme has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Scheme's exposure and the credit ratings of its counterparties are continuously monitored by the Responsible Entity.

At 30 June 2012, the main financial assets exposed to credit risk are trade and other receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2012. Refer to Note 5 for details of trade and other receivables.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 14. Financial instruments (continued)

#### E. Credit risk (continued)

The credit risk on trade and other receivables is minimal because of the proven remittance history of the counterparty. Credit risk from balances with banks and financial institutions is managed by the Responsible Entity in accordance with the Scheme's investment policy. Cash investments are made only with approved counterparties.

The carrying amounts of financial assets best represent the maximum credit risk exposure at the reporting date.

#### F. Liquidity risk

The Scheme's constitution provides for the application and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions during these periods. The risk associated with meeting unitholders redemptions is minimal as the Responsible Entity has discretion in approving redemptions.

The Scheme's strategy to managing liquidity risk is in accordance with the Scheme's investment strategy and remains unchanged from 2011. The Scheme also manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and matching the profiles of financial assets and liabilities.

The following tables summarise the maturity profile of the Scheme's financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay. The tables include both interest and principal cash flows:

	Effective interest rate	Total	Less than 1 year	1 to 5 years	5+ years
<b>30 Jun 2012</b>					
Trade and other payables	0.00%	1,695,981	1,695,981	-	-
Borrowings	6.40%	73,799,095	6,824,578	66,974,517	-
Derivative financial instruments	5.47%	4,183,998	1,546,484	2,637,514	-
		<b>79,679,074</b>	<b>10,067,043</b>	<b>69,612,031</b>	<b>-</b>
<b>30 Jun 2011</b>					
Trade and other payables	0.00%	587,783	587,783	-	-
Borrowings	6.49%	69,059,578	66,570,137	2,489,441	-
Derivative financial instruments	6.37%	1,585,124	731,401	853,723	-
		<b>71,232,485</b>	<b>67,889,321</b>	<b>3,343,164</b>	<b>-</b>

The maturity of the principal amounts for the above borrowings is \$63,045,000 on 30 June 2014 and \$2,706,316 on 25 February 2013.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 14. Financial instruments (continued)

#### G. Fair value

##### ***Fair value of financial instruments carried at amortised cost***

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

##### ***Valuation techniques***

The fair value of financial assets and financial liabilities are determined as follows:

- Financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Other financial assets and financial liabilities (excluding derivative financial instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- Derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

##### ***Fair value measurements recognised in the statement of financial position***

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

	Total	Level 1	Level 2	Level 3
<b>30 Jun 2012</b>				
<b>Financial liabilities at FVTPL</b>				
Derivative financial instruments	3,610,422	-	3,610,422	-
	<u>3,610,422</u>	<u>-</u>	<u>3,610,422</u>	<u>-</u>
<b>30 Jun 2011</b>				
<b>Financial liabilities at FVTPL</b>				
Derivative financial instruments	1,355,355	-	1,355,355	-
	<u>1,355,355</u>	<u>-</u>	<u>1,355,355</u>	<u>-</u>

# Centuria Diversified Property Fund

## Notes to the financial statements

### 15. Related parties

#### Key management personnel

The Scheme does not employ personnel in its own right. However it is required to have an incorporated Manager to manage the activities of the Scheme and this is considered the key management personnel. The directors of the Manager are key management personnel of that entity and their names are:

John McBain  
Jason Huljich  
Peter Done  
Deepak Gupta

The Responsible Entity is entitled to a management fee which is calculated at up to 0.60% of the gross value of assets held plus GST.

The Scheme has entered into an arrangement whereby an incentive fee is payable to the Responsible Entity if a gain on sale of an investment property is recognised. The fee, payable upon settlement of the sale, is a percentage dependent on a number of factors, including capital return to investors.

At balance date no provision has been recognised for incentive fees (2011: \$NIL) as there is no indication as at 30 June 2012 that future sales of the investment properties would result in a net gain.

At balance date an amount of \$470,695 (2011: \$NIL) owing to the Responsible Entity was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices.

No compensation is paid to directors or directly by the Scheme to any of the key management personnel of the Responsible Entity.

#### Responsible entity fees and other transactions

	Fair value 30 Jun 2012 \$	Fair value 30 Jun 2011 \$
Finance costs	332,462	84,051
Leasing fees	156,447	141,791
Property management fees	68,121	46,676
Management fees	630,204	575,604
Other professional fees	28,392	-
	<u>1,215,626</u>	<u>848,122</u>

#### Related party transactions

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Centuria Property Funds Limited, its directors or its director-related entities may invest in or withdraw from the Scheme. These investments or withdrawals are on the same terms and conditions as those entered into by other Scheme investors.

# Centuria Diversified Property Fund

## Notes to the financial statements

### 15. Related parties (continued)

#### Units in the Scheme held by related parties

At 30 June 2012, the following related parties of the Responsible Entity hold units in the Scheme:

	Units Held	Interest Held	Distributions	Amounts payable
		%	\$	\$
<b>30 Jun 2012</b>				
Centuria Growth Bond Fund	11,119,259	13.43%	-	-
CBF1 Investment Trust 1	2,606,754	3.15%	-	-
Centuria Capital Ltd	80,000	0.10%	-	-
Jason Huljich	12,408	0.01%	-	-
	<b>13,818,421</b>	<b>16.69%</b>	<b>-</b>	<b>-</b>
<b>30 Jun 2011</b>				
Centuria Growth Bond Fund	11,119,259	13.43%	-	-
CBF1 Investment Trust 1	2,646,754	3.20%	-	-
Jason Huljich	12,408	0.01%	-	-
	<b>13,778,421</b>	<b>16.64%</b>	<b>-</b>	<b>-</b>

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

#### Loans with related entities

The Scheme had a convertible note issued to Centuria Capital Limited of \$2,706,316 (2011: \$2,334,051 payable). The convertible note issued to Centuria Capital Limited bears interest at 10% (2011: 10%) and is unsecured. The note matures on 25 February 2013. On 6 September 2012, the directors of Centuria Capital Limited resolved to extend the maturity date of the convertible note to 30 September 2013. Refer to Note 9 for the terms and conditions of the convertible note.

#### Key management personnel loan disclosures

The Scheme has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

#### Other transactions within the Scheme

No director has entered into a material contract with the Scheme since the end of the previous year and there were no material contracts involving directors' interests subsisting at year end.

### 16. Events subsequent to reporting date

On 6 September 2012, the directors of Centuria Capital Limited resolved to extend the maturity date of the convertible note to 30 September 2013. Refer to Note 9 for the terms and conditions of the convertible note.

There have been no other events subsequent to balance date which would have a material effect on the Scheme's financial statements at 30 Jun 2012.

# Centuria Diversified Property Fund

## Notes to the financial statements

	30 Jun 2012 \$	30 Jun 2011 \$
<b>17. Parent entity disclosures</b>		
<b><i>Financial position</i></b>		
<b>Assets</b>		
Current assets	19,608,863	18,811,948
Non-current assets	17,086,607	16,871,878
Total assets	36,695,470	35,683,826
<b>Liabilities</b>		
Current liabilities	387,611	9,690,311
Non-current liabilities	10,194,699	190,687
Total liabilities	10,582,310	9,880,998
<b>Equity</b>		
Issued units	29,255,257	29,255,257
Accumulated losses	(3,142,097)	(3,452,429)
Total equity	26,113,160	25,802,828
<b><i>Financial performance</i></b>		
Profit for the year*	310,332	915,696
Other comprehensive income	-	-
Total comprehensive income for the year	310,332	915,696

At reporting date, the Parent has not entered into any guarantees or commitments to purchase property plant and equipment, and does not have any contingent liabilities.

\* Net profit attributable to members of the Parent of \$1,755,329 (2011: \$92,236 loss), per the consolidated statement of comprehensive income, includes net profit of the Parent's subsidiaries of \$1,444,997 (2011: \$1,007,932 loss).

### 18. Additional information

The registered office and principal place of business of the Scheme and the Responsible Entity are as follows:

**Registered office:**

Suite 2301, Level 23, 111 Pacific Highway  
NORTH SYDNEY NSW 2060

**Principal place of business:**

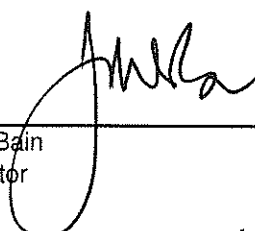
Suite 2301, Level 23, 111 Pacific Highway  
NORTH SYDNEY NSW 2060

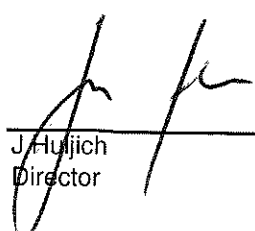
## Centuria Diversified Property Fund Directors' declaration

The directors of Centuria Property Funds Limited, the Responsible Entity of Centuria Diversified Property Fund ('the Scheme'), declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable; and
- (b) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note 1(a) to the financial statements;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and giving a true and fair view of the Scheme's financial position as at 30 June 2012 and of its performance for the financial year ended on that date.

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

  
\_\_\_\_\_  
J McBain  
Director

  
\_\_\_\_\_  
J Huljich  
Director

Dated at Sydney this 7<sup>TH</sup> day of SEPTEMBER 2012.





**Independent auditor's report to the unitholders of Centuria Diversified Property Fund (a stapled entity comprising CDPF Stapled Fund No. 1 and CDPF Stapled Fund No. 2)**

**Report on the financial report**

We have audited the accompanying financial report of Centuria Diversified Property Fund (a stapled entity comprising CDPF Stapled Fund No. 1 and CDPF Stapled Fund No. 2) (the Stapled Entity), which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' responsibility for the financial report*

The directors of Centuria Property Funds Limited (the Responsible Entity) are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In note 1, the directors of the Responsible Entity also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Stapled Entity's financial position, and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*

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



*Auditor's opinion*

Whilst we draw attention to the uncertainty below, in our opinion:

- (a) the financial report of Centuria Diversified Property Fund is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Stapled Entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

KPMG

Steven Gatt  
*Partner*

Sydney

7 September 2012