

2020

# Contents

01	About Centuria
02	Vision & Strategy
03	Australasian Real Estate Platform
06	Chairman's Report
08	Key Metrics
10	Joint CEO Report
16	Key Financial Metrics
18	Expanding our Funds Management Platform
21	Centuria's Dual Growth Strategy
22	In-house Management & COVID-19
24	A Focus on Environmental, Social & Governance (ESG)
28	Board of Directors
31	Senior Executive
35	Directors' Report
50	Lead Auditor's Independence Declaration
52	Financial Statements
97	Directors' Declaration
98	Independent Auditor's Report
104	Additional Stock Exchange Information
105	Corporate Directory & Disclaimers

# About Centuria

Centuria Capital Group (ASX:CNI) is a leading Australasian funds manager included in the S&P/ASX300 Index. (GICS code Diversified Real Estate).

CNI presently manages \$9.4 billion of assets and offers a range of investment opportunities, predominantly listed and unlisted real estate funds. Centuria's in-depth knowledge of the property sector and its intimate understanding of its clients, allows it to transform opportunities into attractive investments.

For over twenty years, Centuria has maintained a strong focus on its in-house real estate expertise to identify, transact, create and manage property investment vehicles. Centuria's business is the management of property funds and is classed as an "external" manager.

Real estate funds management is the largest component of Centuria's platform with \$8.6 billion of assets under management. Centuria is well-positioned with deliberate exposure to the industrial, healthcare and decentralised office real estate markets throughout Australia and New Zealand and has an extensive range of property fund types ranging from listed funds to unlisted fixed-term and open-ended funds.

Centuria Capital is the manager of Centuria Industrial REIT (ASX: CIP) and Centuria Office REIT (ASX: COF), Australia's largest domestic pure-play industrial and office REITs included in the S&P/ASX 200 and 300 Indices, respectively. Centuria Capital is also responsible for a range of unlisted real estate funds presently comprising 12 fixed-term office funds, 10 healthcare funds, an institutional healthcare real estate mandate and two multi-asset open-ended funds.

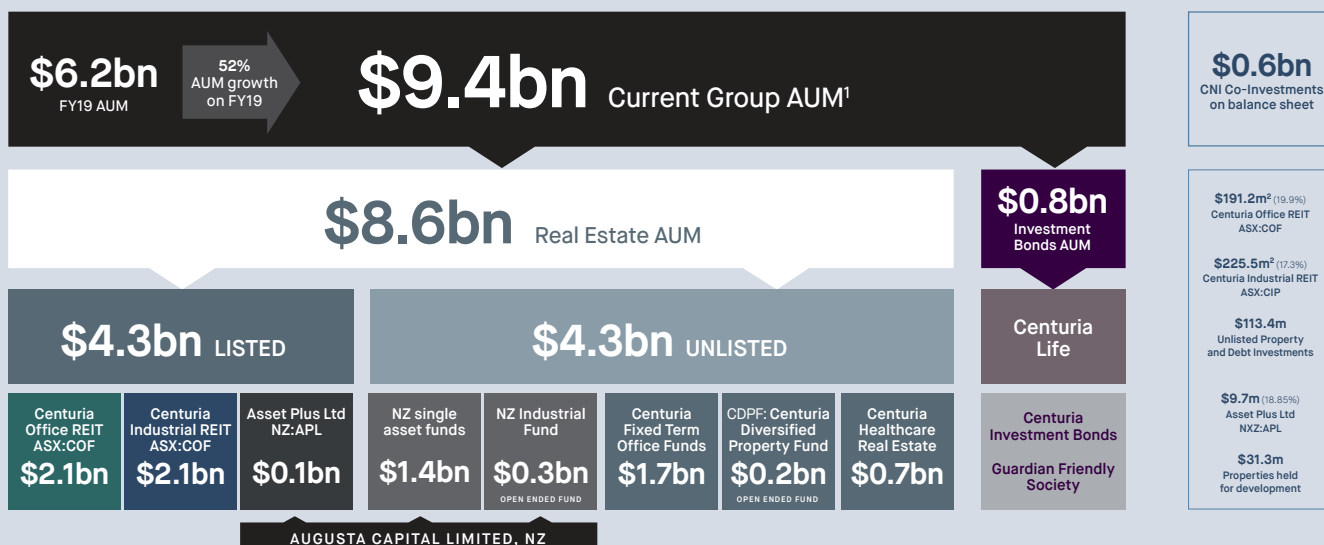
In addition to its property funds management activities, Centuria also manages an \$0.8 billion friendly society investment bond portfolio on behalf of numerous policyholders, this is a long-standing business unit which has recently launched a contemporary investment product called "Centuria LifeGoals".

Throughout FY20, Centuria has maintained its dual strategy of growth by both direct real estate transactions as well as corporate acquisitions. The latter most recently included the settlement of a 63% interest in Heathley Limited (September 2019), which has since re-branded to Centuria Healthcare.

This year Centuria also completed a full takeover of Augusta Capital Limited, a leading New Zealand property funds manager with \$1.8 billion in assets under management. Augusta Capital was recently de-listed from the New Zealand Exchange and is being operated as a 100% subsidiary.

Centuria continues to realise its vision of building a leading Australasian listed external real estate funds management platform and attaining a "top three Australian ranking" amongst its peers.

## CENTURIA CAPITAL FUNDS MANAGEMENT PLATFORM



Note: All figures above are in Australian dollars (currency exchange ratio of AU\$1.000:NZ\$1.0695). Numbers presented may not add up precisely to the totals provided due to rounding

<sup>1</sup> Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020.

Includes CIP acquisitions announced post 30 June 2020. Excludes Centuria Healthcare Property Fund (CHPF)

<sup>2</sup> Based on the respective close prices for COF and CIP at 31 July 2020. Includes ownership by associates of Centuria Capital Group

## VISION

# Build a leading listed external real estate funds management platform and attain “top three Australian ranking”

## AIMS

### STRONG BALANCE SHEET

To support platform expansion e.g. Centuria Healthcare and Augusta Capital

### LEVERAGE STRONG DISTRIBUTION NETWORK

Utilise Centuria's strong in-house client base for unlisted funds  
Leverage growing equity capital markets presence

### DELIVER RECURRING REVENUES, UNLOCK PERFORMANCE FEES

Strong recurring revenue fees underpin distributions  
Realise underlying performance fees embedded in unlisted funds

### NEW PLATFORMS

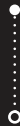
Grow new platform acquisitions – Centuria Healthcare and Augusta Capital (NZ) by deploying skills, systems and capital duplicating successful Centuria model

### GROWTH OPPORTUNITIES

Establish further wholesale real estate mandates  
Grow Centuria LifeGoals Investment Bond Products

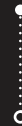
## STRATEGY

# Deliver income and capital growth from compelling real estate and investment bond sectors for a broad range of investor profiles



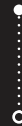
### DUAL GROWTH STRATEGY

Direct real estate acquisitions  
Corporate expansion



### SECURING QUALITY

Tenants  
Assets  
Managers



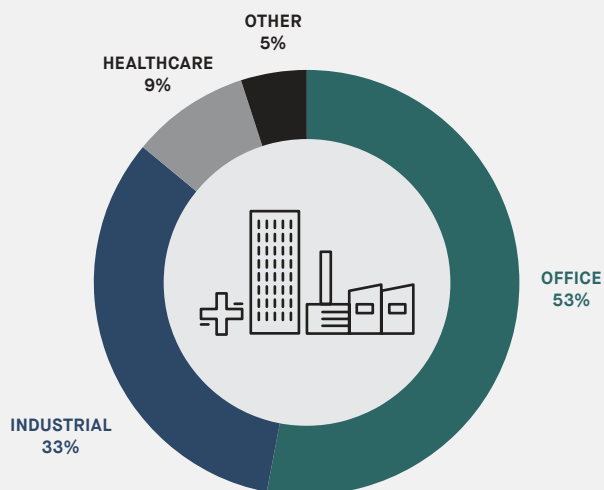
### TRUSTED CONSULTATION

Investors  
Tenants  
Stakeholders

# Australasian real estate platform

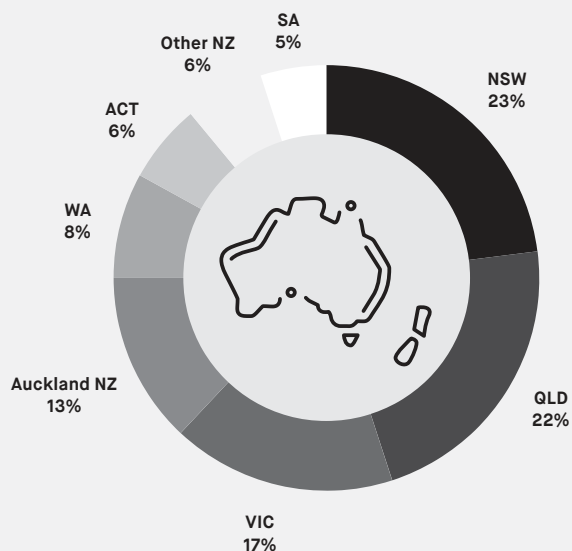
## Asset Sectors<sup>1,2</sup>

OFFICE | INDUSTRIAL | HEALTHCARE |  
REAL ESTATE TOTAL 95%



## Geographies<sup>1</sup>

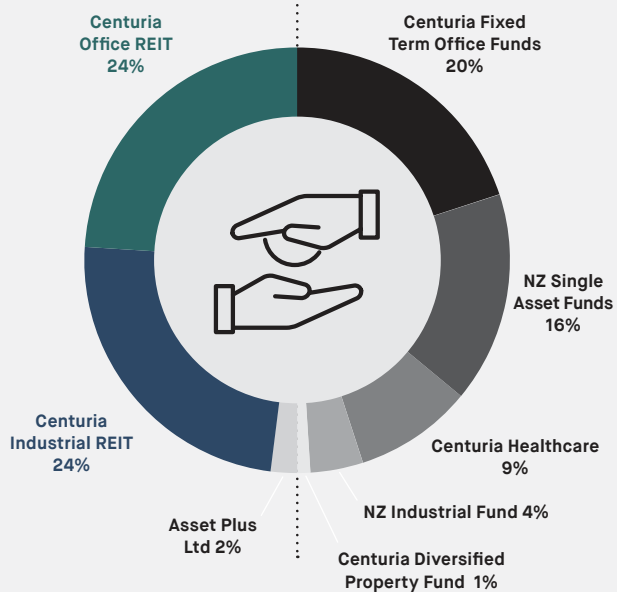
81% AUSTRALIA  
19% NEW ZEALAND



## Fund Types<sup>1</sup>

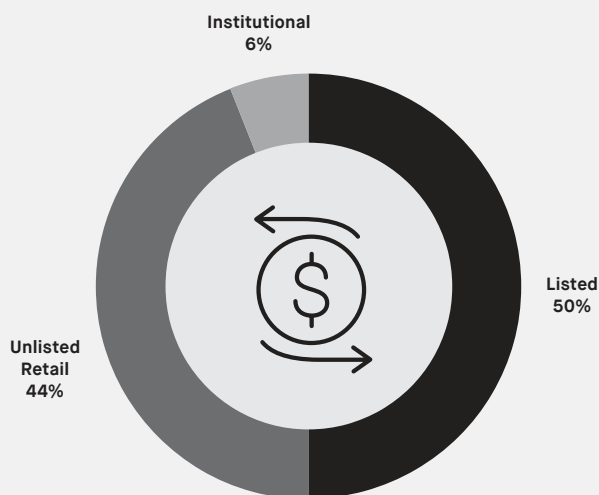
50% LISTED FUND CATEGORIES

50% UNLISTED FUND CATEGORIES



## Capital Sources<sup>1</sup>

50% LISTED | 44% UNLISTED RETAIL  
6% INSTITUTIONAL / WHOLESALE



<sup>1</sup> Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020. Includes CIP acquisitions announced post 30 June 2020. Excludes Centuria Healthcare Property Fund (CHPF) and AUM from investment bonds

<sup>2</sup> Other includes Augusta large format retail, supermarkets, shopping centres and tourism

# Aligned to compelling sectors with clear and simple themes



## Office

De-centralised, highly connected and affordable office space



## Industrial

Fit-for-purpose industrial assets, infill locations and close to key infrastructure



## Healthcare

Specialist healthcare real estate focused on cost effective models of care



## Investment Bonds

Tax-effective investments oriented around your life goals

**\$9.4bn ASSETS UNDER MANAGEMENT<sup>1</sup>**

**\$8.6bn AUM**

**\$0.8bn AUM**

<sup>1</sup> Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020. Includes CIP acquisitions announced post 30 June 2020. Excludes Centuria Healthcare Property Fund (CHPF)

## Centuria's deep real estate expertise and integrated management capabilities

### Integrated management capabilities

TRANSACTION MANAGEMENT

PROPERTY MANAGEMENT

DEVELOPMENT MANAGEMENT

FUNDS MANAGEMENT

LEASING MANAGEMENT

FACILITIES MANAGEMENT

ASSET MANAGEMENT

CENTURIA HEALTHCARE: 32 MORROW STREET, TARINGA, QLD



# Trans-Tasman exposure



**\$6.8bn**

OF AUSTRALIAN REAL ESTATE  
ACCOUNTS FOR ~80% OF AUM<sup>1</sup>

New South Wales

**\$1,965m** ACROSS 39 PROPERTIES

Queensland

**\$1,804m** ACROSS 54 PROPERTIES<sup>3</sup>

Victoria

**\$1,445m** ACROSS 24 PROPERTIES

Western Australia

**\$717m** ACROSS 21 PROPERTIES

ACT

**\$463m** ACROSS 6 PROPERTIES

South Australia

**\$417m** ACROSS 7 PROPERTIES

Tasmania

**\$6m** ACROSS 1 PROPERTY

**\$1.8bn**

OF NEW ZEALAND REAL ESTATE  
ACCOUNTS FOR ~20% OF AUM<sup>2</sup>

North Island

**\$1,299m** ACROSS 43 PROPERTIES

South Island

**\$217m** ACROSS 10 PROPERTIES

Note: All figures above are in Australian dollars (currency exchange ratio of AU\$1.000:NZ\$1.067). Numbers presented may not add up precisely to the totals provided due to rounding

<sup>1</sup> As at 30 June 2020. Includes cash and other financial assets. Includes CIP acquisitions announced 5 August 2020

<sup>2</sup> Augusta AUM as at 31 March 2020. Includes cash and other financial assets and Anglesea asset

<sup>3</sup> Includes Augusta Capital Limited assets

# Chairman's report



**GARRY CHARNY**

Chairman

Dear Investor,

With deference to Dickens, it has been the best of times, it has been the worst of times. Nonetheless, it is still my pleasure to write to you and introduce Centuria Capital Group's 2020 annual report.

Your Board remains committed to delivering value for all investors and FY20 has been a year of expansion for the group despite the COVID-19 backdrop to Australia's first recession in 29 years.

The first half of the year was exceptional and yet nothing could have adequately prepared us for the arrival of COVID-19. It is trite to say that when global economic dislocations such as experienced due to COVID-19 occur, the strategies set between board and management become a crucial factor in maintaining earnings and also providing a stable platform from which to continue to grow - perhaps when others are distracted. That of course requires an additional level of commitment from both Board and staff.

Accordingly, it would be remiss of me not to mention the contribution of all - from additional weekly and sometimes daily, board briefings and meetings, through to across the board periodic wage and fee reductions of up to 15% and, ultimately, preparing for a return to the office in a COVID safe way. Our senior management team and all of the staff and my fellow board members have been outstanding.

Despite all that has happened, FY20 has been a year of strong growth for Centuria where the group expanded through a significant real estate platform acquisition as well as recording a record level of asset acquisitions by our managed funds.

Centuria Capital is now included in the S&P/ASX300 index and our substantial growth necessitates ongoing evolution as we mature. Accordingly, as our market presence grows the board, together with management, seek to continually redefine and communicate our aims, values and capabilities, many of which are shared in this report. These aims are not solely financial. Centuria acknowledges our social contract with the community and towards the markets we operate in and the obligations we hold to all our staff to make Centuria, and what it represents, a place where people want to come to work.

## PERFORMANCE

Over FY20, Centuria grew its assets under management (AUM) to \$8.8 billion or over 40%. So far in FY21, Centuria's platform has increased by a further \$0.6 billion bringing total funds under management to \$9.4 billion. This represents an increase of over 50% since the commencement of FY20.

As at the date of this report, real estate AUM represent \$8.6 billion of total AUM, with an even balance of \$4.3 billion each between listed and unlisted funds.

The Group continues to expand its product offering and while Centuria remains aligned to the industrial and de-centralised office asset classes its healthcare subsidiary - Centuria Healthcare has successfully marketed its first substantial healthcare real estate fund.



During FY20, Centuria Metropolitan REIT (ASX: CMA) was rebranded to Centuria Office REIT (ASX: COF) now the largest domestic pure-play office REIT. Centuria Industrial REIT (ASX: CIP), is now part of the S&P/ASX 200 index and represents the markets largest pure rent-collecting industrial REIT.

You may be aware that Centuria has recently acquired leading New Zealand real estate investment platform, Augusta Capital Limited. Through this acquisition Centuria has expanded its unlisted managed funds by \$1.7 billion as well as gaining an 18.85% interest in the NZX listed Asset Plus Limited REIT, adding a further \$0.1 billion in listed AUM to the total property platform.

The expansion into New Zealand enables Centuria to increase its exposure to a new, mature commercial real estate market. We have grown from being a domestic operation to now being a significant Trans-Tasman platform. This Australasian focus will enhance growth opportunities for the group and while our asset portfolios will always be weighted in favour of Australia, the opportunities available in New Zealand are seen as too significant to dismiss.

## MANAGEMENT

In our last Annual Report, I had the pleasure of welcoming the Heathley team to Centuria. Fully integrated, with its new nomenclature Centuria Healthcare, it is currently completing a new \$130 million Centuria Healthcare Property Fund thereby creating a fresh vertical for Centuria.

This year I am delighted to welcome the Augusta Capital team to Centuria. Mark Francis and Bryce Barnett have joined Centuria's senior executive team with Mark remaining in charge of the New Zealand operation as was always intended. With full board support, the Board and management have set aggressive targets to grow Centuria's presence in both countries creating a major Trans-Tasman real estate platform.

Congratulations are also due to Jason Huljich and Ross Lees on a successful first year in their new positions as Joint CEO and Head of Funds Management, respectively. Their appointments were announced at Year End FY19.

## GOVERNANCE

Further governance improvements include a reorganisation of Centuria's responsible entity boards to ensure greater independence and aid with any potential conflicts, both real or perceived. The Centuria Property Funds Limited (CPFL) and Centuria Property Funds No.2 Limited (CPF2L) Boards have been reconstituted to assist with these important governance issues and to reflect the substantial growth in the business, particularly in the industrial and healthcare sectors. Peter Done continues to chair CPFL and Roger Dobson, a name familiar to many of you, has returned to the fold as Independent Chairman of CPF2L.

We also welcome Natalie Collins to the Boards of CPF2L, Centuria Life Limited (CLL) and the Over Fifty Guardian Friendly Society Limited as a new independent director. Natalie began her career in audit for PWC and she is currently Head of Emerging Ventures and Co-Founder of Amatil X at Coca-Cola Amatil. Natalie brings a diverse range of talents and perspectives to the boards she will sit on and I am personally delighted she was prepared to take up the offer to join us.

The Responsible Entity boards are now comprised as follows:

### CPFL

Peter Done	(Chairman)
Nicholas Collishaw	(Non-Executive Director)
Matthew Hardy	(Non-Executive Director)
Darren Collins	(Non-Executive Director)

### CPF2L

Roger Dobson	(Chairman)
Nicholas Collishaw	(Non-Executive Director)
Peter Done	(Non-Executive Director)
Natalie Collins	(Non-Executive Director)

## ESG

The Boards and Centuria's Management team have made a concerted effort to refine our existing Environmental, Social and Governance (ESG) framework throughout FY20 as well as to explore fresh initiatives.

The Conflicts committee continues to add valuable protocols to the good order of our business.

Further, an ESG committee has been established to assess and implement pragmatic and sensible policies and practises that align Centuria's organisation with ESG commitments across the community it operates within.

Whether these are in sustainability, social and affordable housing or general corporate citizenship, they continue to be a touchstone not only of our investment decisions and stakeholder engagement but also of how we want Centuria to be defined.

## CONCLUSION

Let me conclude by thanking you, our investors, for your commitment and support throughout FY20. I also thank my fellow directors from the Group, and responsible entity boards, for your leadership and guidance, which has placed Centuria on good footing for the coming financial year.

Whilst COVID-19 and its after effects will remain with us for the foreseeable future, as global economies, including Australia and New Zealand, begin to emerge from the pandemic, Centuria is well-positioned to face any potential headwinds and to take advantage of opportunities that will inexorably arise. I look forward to welcoming you all to our upcoming virtual AGM to discuss Centuria's results and plans for the future further.



**GARRY CHARNY**

Chairman

# Key metrics: Delivering strong growth and creating value

**\$9.4bn**

**Group AUM<sup>1</sup>**

52% growth on FY19

**12.00cps**

**FY20 Operating earnings per security<sup>2</sup>**

Delivered ahead of 11.50cps  
FY20 guidance

**\$1.2bn**

**FY20 Group real estate acquisitions**

<sup>1</sup> Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020. Includes CIP acquisitions announced post 30 June 2020. Excludes Centuria Healthcare Property Fund (CHPF)

<sup>2</sup> Operating EPS is calculated based on the Operating NPAT of the Group divided by the weighted average number of securities





**\$1.8bn**

**Augusta Capital  
Limited AUM**

**9.70cps**

**FY20 Distribution  
per security**

4.9% growth on FY19

**86%**

**FY20 Group  
operating recurring  
revenues**

**6.1%**

**12 Month total  
securityholder return<sup>1</sup>**

S&P/ASX300 Index (-7.6%)  
S&P/ASX300 AREIT Index (-20.7%)

<sup>1</sup> Source: Moelis Australia. Based on movement in security price from ASX closing on 1 July 2019 to ASX closing on 30 June 2020 plus distributions per security paid during the respective period(s) assuming re-investment of all distributions. Past performance is not a reliable indicator of future performance

# Joint CEO Report



**JOHN MCBAIN**  
Joint CEO

**JASON HULJICH**  
Joint CEO

Dear Investors,  
It gives us great pleasure to present the 2020 Centuria Capital Limited (CNI or Centuria) Annual Report to you. The FY20 financial year was comprised of two distinct periods. During the first half we experienced record growth in assets under management (AUM) of \$1.2 billion followed by a second half where much of Australia experienced severe bushfires, followed by significant flooding on the East coast. Shortly afterwards the full lock-down impact of the COVID-19 pandemic was experienced throughout Australia.

Despite this unfortunate backdrop, we are pleased to report that Centuria performed well on a "whole of year" FY20 basis due in great part to extremely strong first half trading. Operating earnings came in above guidance at 12.0 cents per security and we maintained our forecast distribution of 9.7 cents per security.

Despite the global economic environment and including post FY20 acquisitions, Centuria's platform has expanded to \$9.4 billion<sup>1</sup> of assets under management, a substantial 52% increase on FY19 with listed and unlisted real estate funds comprising \$8.6 billion of this total.

Our business model has been extremely resilient and our dual strategy of direct asset acquisitions, in combination with corporate expansion, has resulted in FY20 and FY21 to date being a transformational period. As mentioned, Centuria acquired \$1.2 billion of direct real estate acquisitions in FY20 in addition to completing the acquisition of Augusta Capital Limited, a \$1.8 billion New Zealand real estate funds management platform.

This strategy has generated over \$5 billion of initiatives in the past few years, remaining focussed on compelling asset sectors and producing a blended growth profile which has accelerated earnings and scale for our securityholders. Centuria has taken a significant step towards creating a leading Australasian funds management platform, expanding our Group's footprint in attractive asset classes, along with providing a wider suite of investment options for retail and institutional investors, and the equity capital markets.

<sup>1</sup> Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020. Includes CIP acquisitions announced 5 August 2020

We have a special focus on integrating acquired businesses into our platform. Along with fully integrating the Heathley business into Centuria, we have now commenced the integration of Augusta into our platform as part of our Australasian expansion.

Despite market volatility, we are also pleased to report 12-month, FY20 total securityholder returns<sup>2</sup> of positive 6.1%, outperforming the S&P/ASX 300 index at negative 7.6% and S&P/ASX300 AREIT accumulation index of negative 20.7%.

Last year, CNI qualified for the S&P/ASX 300 Index. Our continued strong growth and increasing market relevance has positioned CNI well for potential S&P/ASX200 Index inclusion and it has been rewarding to see trading volumes in CNI securities respond positively to the much awaited Standard and Poors re-categorization of Centuria Capital to a "REIT" code under its global "GICS" classification standard.

In other indices news, during FY20, Centuria Industrial REIT (ASX code: CIP) entered for the S&P/ASX 200 Index and Centuria Office REIT (ASX code: COF) remains well positioned for potential S&P/ASX200 Index inclusion in the future.

## OUR SOCIAL CONTRACT

Part of the obligation we owe to our stakeholders lies in our community obligations. Our securityholders have a right to understand how Centuria discharges its responsibilities in a number of non-financial areas and this report together with future Annual Reports will disclose some of the initiatives we are taking in relation to our environmental, social and governance obligations.

This year, we have continued to focus on sustainability with initiatives that included solar panel rollouts, improvements in waste management and retaining a high NABERS Energy rating as part of our focus on efficiently operated assets. Socially, we have focused our efforts towards reputable volunteering and fundraising programs, becoming a member of the Diversity Council of Australia and increasing our exposure to asset classes that are critically important to the community – healthcare real estate and social & affordable housing.

Turning to governance, we have continued to enhance our corporate governance framework. In particular, we have restructured our responsible entity boards, which are now led by separate Chairmen. We are pleased to welcome both Roger Dobson as new Chair, and Natalie Collins as an independent non-executive director of, CPF2L Limited the responsible entity board governing both the Centuria Industrial REIT and our unlisted Centuria Healthcare funds. As Head of Emerging Ventures at Coca Cola Amatil, Natalie's corporate skills lend added depth and diversity of experience to the group.

Additionally, we have implemented technology to future-proof our business. We recently launched our "VISION 2020" property management and finance software platform providing an integrated solution that will provide efficiency and scalability for the future.

## FINANCIAL RESULTS

Statutory profit<sup>3</sup> of \$21.1 million was recorded for FY20 and operating net profit after tax (NPAT<sup>4</sup>) of \$53.3 million generated an operating earnings per security (EPS<sup>5</sup>) of 12.0 cents, ahead of 11.5cps FY20 guidance. Distributions of 9.70cps were delivered on guidance, reflecting a 4.9% increase on FY19.

FY20 has seen a 37.4% increase in property funds management earnings excluding the impact of performance fees, a reflection of the Group's sustained growth in recurring revenue in recent years. Recurring revenues accounted for 86% of total Group revenues in FY20, underpinned by increased property funds management fees and co-investment income.

Centuria booked cash of \$37.2 million (including GST) from performance fees in relation to the sales of the Zenith Tower, 50% of 8 Central Avenue and 2 Wentworth Street, with an additional \$32.6 million<sup>6</sup> of latent unrecognised performance fees embedded within our remaining unlisted funds.

Centuria retains a strong operating balance sheet with cash on hand of \$149.5 million as at 30 June 2020, a proportion of which has since been utilised for the successful cash and scrip takeover bid for Augusta Capital Limited ("AUG or Augusta").

Group net asset value continued to strengthen to \$1.44 per security<sup>7</sup>. Balance sheet gearing reduced following the \$35 million repayment of fixed rate secured notes during the year. Tenure for \$32.1 million of corporate bonds was also extended by four years from April 2021. An operating gearing ratio<sup>8</sup> of 3.1% at period end reflected a significant reduction in net borrowings while an interest cover ratio of 6.3 times<sup>9</sup> strengthened with strong property funds management revenue growth.

It is very much business as usual for the Centuria group. Centuria Capital Limited has issued FY21 operating earnings guidance of 10.5-11.5 cents per security and FY21 distribution guidance of 8.5 cents per security.

2 Source: Moelis Australia. Based on movement in security price from ASX closing on 1 July 2019 to ASX closing on 30 June 2020 plus distributions per security paid during the respective period(s) assuming re-investment of all distributions. Past performance is not a reliable indicator of future performance

3 Attributable to securityholders

4 Operating NPAT of the Group comprises of the results of all operating segments and excludes non-operating items such as transaction costs, mark to market movements on property and derivative financial instruments, the results of Benefit Funds, Controlled Property Funds and share of equity accounted net profit in excess of distributions received

5 Operating EPS is calculated based on the Operating NPAT of the Group divided by the weighted average number of securities

6 The underlying property funds managed by Centuria Capital Group have accrued total performance fees of \$40.4m as at 30 June 2020. \$7.7m of this amount has been recognised life to date with the latent unrecognised performance fee being \$32.6m

7 Number of securities on issue at 30 June 2020: 509,998,482 (at 30 June 2019: 383,557,332)

8 Gearing ratio is calculated based on (operating borrowings less cash) divided by (operating total assets less cash)

9 Operating interest cover ratio is calculated based on operating finance costs divided by operating profit before tax excluding finance costs (excluding reverse mortgages)

#### **TRANS-TASMAN EXPANSION: AUGUSTA CAPITAL LIMITED, A NEW GROWTH OPPORTUNITY**

Augusta is a leading New Zealand (NZ) real estate funds manager with a \$1.8 billion platform that includes NZX-listed REIT, Asset Plus Limited, the NZ\$345 million Augusta Industrial Fund, and a number of core open-ended single asset unlisted property funds.

The full acquisition, delisting and integration of the Augusta business will deliver a number of benefits to Centuria securityholders. Combining these two complementary funds management businesses not only increases scale and relevance, it also creates an expanded platform with a significant Australasian presence.

Augusta possesses a market leading distribution network servicing retail and wholesale investors and features an attractive fee card across its listed and unlisted funds. Approximately 72% of Augusta's assets under management align to office and industrial sectors, which we favour and where much of our expertise lies.

The NZ real estate market is mature, well regarded and has many similarities to the Australian market. It also possesses unique regulatory advantages, for example, no real estate stamp duty, the absence of an enshrined capital gains tax regime and a flexible takeover code.

Augusta Capital now operates as a 100% subsidiary within the Centuria group. Managing Director, Mark Francis, continues to manage the New Zealand business alongside Bryce Barnett and the broader management team, which remains in place. Augusta has a highly experienced and capable team that foster a culture similar to Centuria and share our aspiration to establish a leading Australasian real estate platform.

Augusta is operating effectively during COVID-19 and recently launched the new multi-asset Augusta COVID Property Fund including the NZ\$55 million Anglesea Medical Centre seed asset. The fund launch was the team's first during COVID-19 and the offer was oversubscribed in nine days.

With appropriate capital and underwriting support and, given the COVID-19 recovery underway in New Zealand, Augusta's return to profitability is anticipated to be ahead of schedule. On behalf of the Centuria organisation, we welcome Mark, Bryce and the Augusta team.

#### **CENTURIA PLATFORM POSITIONED FOR GROWTH**

During FY20, CNI's platform expanded AUM to \$8.8 billion, a 42% increase on FY19. This strong growth was supported by \$1.2 billion of direct real estate acquisitions and \$0.1 billion of revaluations.

As mentioned, this growth was predominantly executed throughout the first half of FY20. This record period of acquisitions eclipsed our Group's previous 12-month record. \$1.2 billion of organic AUM growth was generated through 20 separate real estate transactions and was aided by contributions from across the whole real estate platform. This strong performance culminated in Centuria being recognised as the second largest acquirer of Australian industrial and fourth largest acquirer of Australian commercial real estate in calendar year 2019.

The Augusta platform acquisition is the most recent example of Centuria steadily increasing the number of investment vehicles that can contribute to the ongoing growth of our listed and unlisted real estate funds.

Excluding Augusta's assets, Centuria manages over 140 assets and 600 tenants in Australia. Our top ten tenants are highly concentrated towards Federal and State Governments, ASX listed or multinational tenants. Throughout the April to June 2020 period Centuria secured an average 91% rent collection across the platform.

This range of high-quality tenants and their resilient cashflows has meant all our funds have continued to distribute through the COVID-19 period and our integrated, internal asset and property management platform has created strong tenant relationships which have provided a superior basis to enable us to transition through the COVID-19 period and maintain these relationships which are crucial to our success.

Turning to the investment vehicles across CNI's platform, our two listed A-REITs provide sector specific exposure to the commercial and industrial markets.

Centuria Office REIT (ASX: COF) is Australia's largest pure play office REIT listed on the ASX and is included in the S&P/ASX 300 Index. With \$2.1 billion of AUM and 23 high quality commercial assets, COF's portfolio provides exposure to highly connected and affordable office space in decentralised markets. COF expanded its portfolio with \$637 million of acquisitions in FY20 and approximately 80% of the portfolio income is derived from Government, ASX listed or multinational tenants.

Centuria Industrial REIT (ASX: CIP) is Australia's largest domestic pure play industrial REIT listed on the ASX and is included in the S&P/ASX 200 Index. With \$2.1 billion of AUM and 53 high quality industrial assets, CIP's portfolio provides exposure to fit-for-purpose industrial assets in infill locations and in close proximity to key infrastructure. CIP expanded its portfolio with over \$300 million of acquisitions in FY20 and approximately 52% of portfolio income is derived from tenant customers directly linked to the production, packaging and distribution of consumer staples and pharmaceuticals.



AUGUSTA SINGLE ASSET FUND: 33 BROADWAY, NEWMARKET, AUCKLAND

Centuria remains the largest investor in COF and CIP with holdings of 19.9% and 17.3%, respectively. These co-investments contribute to the Group's ongoing real estate recurring revenues and provide strong alignment to the unitholders in both Trusts.

Our unlisted real estate division continued to evolve over FY20. We have deliberately expanded the number of investment vehicles in our unlisted division, creating further opportunities to broaden CNI revenues as well as providing our long serving and deep unlisted investor network with compelling investment opportunities in attractive asset classes.

Fixed-term office funds continued to perform strongly during FY20. We presently oversee 12 fixed term funds worth a collective \$1.7 billion AUM. We added two unlisted funds for \$216 million through the year. Strong performance has also been highlighted with four to six funds included in the MSCI/PCA Top 10 Australian Unlisted Retail Quarterly Property Fund Index<sup>10</sup> for 16 consecutive quarters. We expect strong demand through our unlisted network as investors seek higher yielding investment opportunities relative to historically low term deposit rates.

Open ended/multi-asset unlisted funds have expanded with Centuria Diversified Property Fund (CDPF) increasing to \$205 million of AUM, the recent launch of the of the \$133 million Centuria Healthcare Property Fund (CHPF) and addition of the Augusta Industrial Fund (AIF) and Augusta Property Fund (APF). These funds provide a suite of options for advisers and unlisted investors.

We have completed the integration of Heathley into the Centuria platform and it has been rebranded to Centuria Healthcare. The division oversees 45 assets, 10 unlisted funds and \$0.7 billion AUM. The team remains focused on progressing its \$300 million acquisition pipeline and delivering growth through the \$500 million mandate with AXA Investment Managers and Grosvenor Group, and CHPF.

Our Investment Bond division represents the fourth largest investment bond manager in Australia with \$0.8 billion in AUM and 11%<sup>11</sup> total market share. Our fund options under the recently launched Centuria LifeGoals have expanded by 31% to 29 funds. The team continue to expand their market exposure and now have access to over 3,900 active financial planners along with representation on 28 approved product lists (APLs), an increase of 64% on FY19.

<sup>10</sup> At least four funds in the Top 10 in The Property Council of Australia/MSCI Australia Unlisted Retail Quarterly Property Fund Index to 30 June 2020 each previous quarter for the last sixteen quarters (overall investment for the twelve months to the end of each quarter)

<sup>11</sup> QDS Report 30 March 2020

## A STRONG START TO FY21

Centuria has commenced FY21 strongly and we continue to focus on executing our strategy in a prudent and methodical manner as we navigate decidedly choppy markets.

Notable FY21 activity to date includes:

- \$0.7 billion of direct real estate acquisitions including the \$416.7 million Telstra Data Centre, Clayton VIC.
- Launch of the \$133 million Centuria Healthcare Property Fund (CHPF) with six seed assets combined with a successful \$80 million capital raising.
- De-listing of Augusta Capital Limited from the NZX to operate the business as a 100% subsidiary.
- Augusta Property Fund launch with NZ\$55 million Anglesea Medical Centre seed asset marking the first post COVID-19 property fund launch for the business (oversubscribed in nine days).
- Asset Plus (NZX:APL) \$60m equity raise provides funding for the Munroe Lane, Albany, Auckland development.
  - Estimated value on completion NZ\$140 million.
  - Centuria, via Augusta Capital is seeking to increase its Asset Plus co-investment from 18.85% to 19.99%.
- S&P Dow Jones Indices and MSCI reclassification of CNI's Global Industry Standard Classification (GICS) Code from Asset Management & Custody Banks to Diversified REITs, more appropriately reflecting CNI's activities, and providing investors with a transparent and efficient means for comparing CNI to its closest peers.
- FY21 Operating EPS guidance of 10.50-11.50cps and distribution guidance of 8.50cps.

In an increasingly uncertain global market, we remain focused on executing CNI's strategy and providing clear, simple investment themes across compelling sectors. Industrial and healthcare sectors provide opportunities to expand our platform and we remain of the opinion that de-centralised office markets should outperform other office sectors.

We believe our strong balance sheet, deep distribution network, high recurring revenues, and an expanded investment platform all contribute to maximise Centuria's strength moving into FY21. Additional measures such as a base salary freeze for FY21 and the wage and fee reductions mentioned by our Chairman were put in place to further insulate security holders in the event FY21 market conditions become more subdued. I want to thank our staff and directors for participating so willingly in these economies.

We also want to take this opportunity to thank our extremely dedicated staff and our fellow senior managers for their commitment throughout FY20.

In addition, we wish to thank the Chairmen and the directors of both the Group and Responsible Entity boards and external committees across our organisation. Their support and guidance remain paramount to the ongoing evolution and success of our organisation.

Finally, we sincerely thank securityholders and all our stakeholders for your on-going support and confidence you place in our organisation. We look forward to engaging with you in the year ahead.



**JOHN MCBAIN**  
Joint CEO



**JASON HULJICH**  
Joint CEO





COF: NISHI, 2 PHILLIP LAW STREET, CANBERRA, ACT

**Exceeded  
FY20 operating  
earnings per  
security guidance  
in COVID-19  
environment**



## **FY21 guidance<sup>1</sup>**

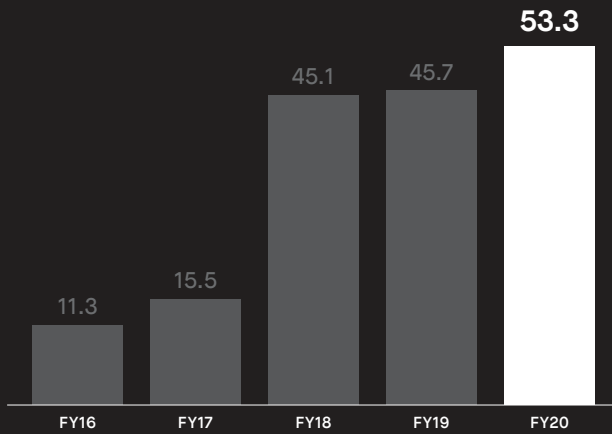
**Operating EPS  
10.5-11.5cps**

**Distribution per  
security 8.5cps**

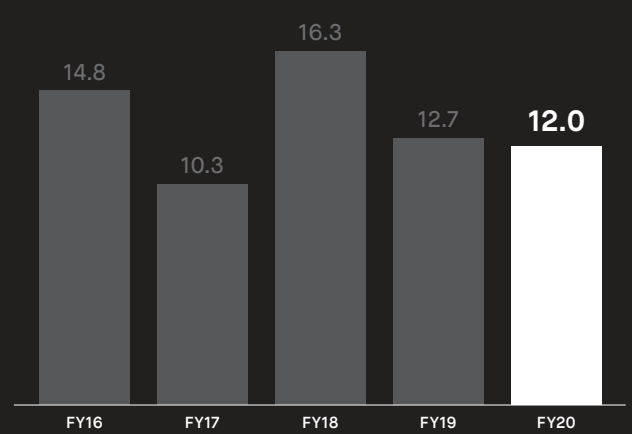
CENTURIA UNLISTED: 348 EDWARD STREET, BRISBANE, QLD

<sup>1</sup> Announced 12 August 2020

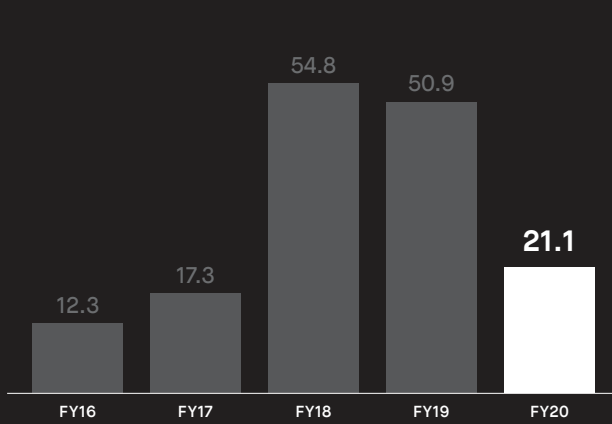
**OPERATING NET PROFIT AFTER TAX (\$m)<sup>1</sup>**



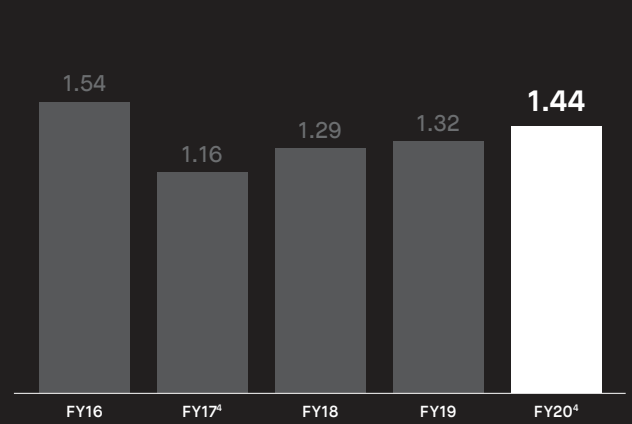
**OPERATING EARNINGS PER SECURITY<sup>2</sup> (CENTS)**



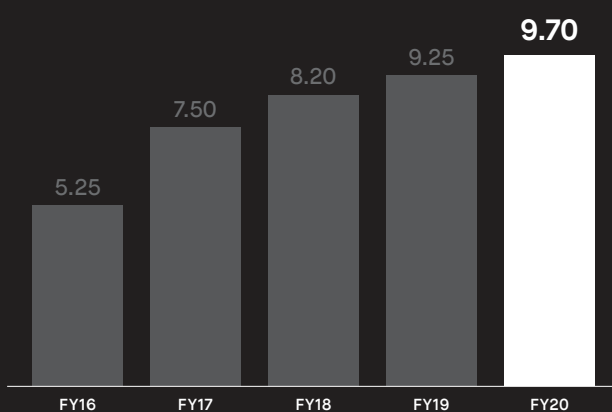
**STATUTORY NET PROFIT AFTER TAX (\$m)<sup>3</sup>**



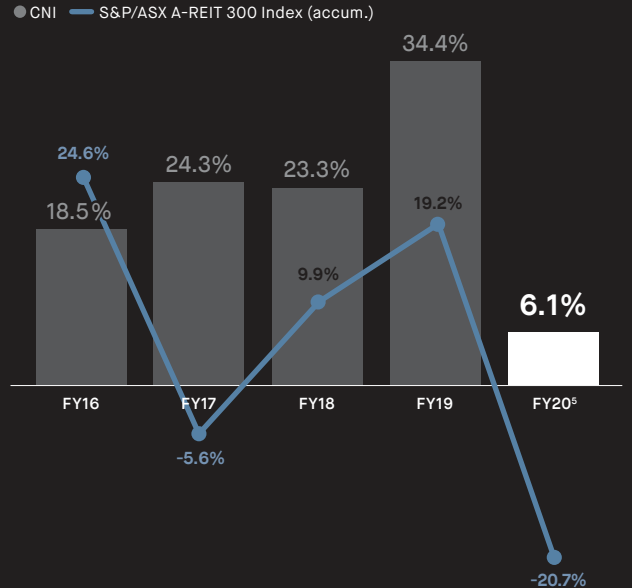
**NET ASSETS PER SECURITY (\$)**



**DISTRIBUTIONS PER SECURITY (CENTS)**



**TOTAL SECURITYHOLDER RETURN (%)**



1 Operating NPAT of the Group comprises of the results of all operating segments and excludes non-operating items such as transaction costs, mark to market movements on property and derivative financial instruments, the results of Benefit Funds, Controlled Property Funds and share of equity accounted net profit in excess of distributions received

2 Operating EPS is calculated based on the Operating NPAT of the Group divided by the weighted average number of securities

3 Attributable to securityholders

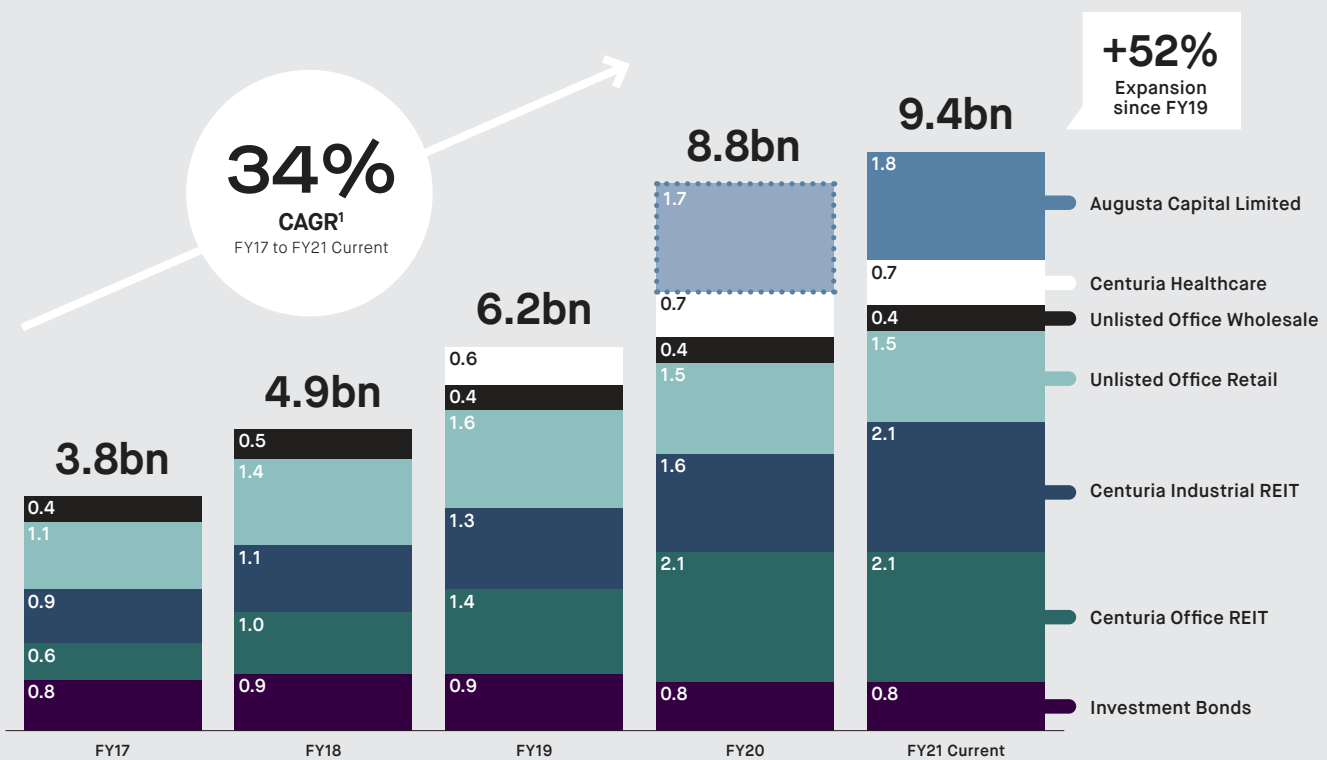
4 Number of securities on issue at 30 June 2020: 509,998,482 (at 30 June 2019: 383,557,332)

5 Source: Moelis Australia. Based on movement in security price from ASX closing on 1 July 2019 to ASX closing on 30 June 2020 plus distributions per security paid during the respective period(s) assuming re-investment of all distributions. Past performance is not a reliable indicator of future performance



# Expanding our funds management platform

## ASSETS UNDER MANAGEMENT (AU\$bn)



<sup>1</sup> Past performance is not indicative of future performance. CAGR calculated from 30 June 2017 to 4 August 2020



**86%**

FY20 operating recurring revenue



**\$37.2m**

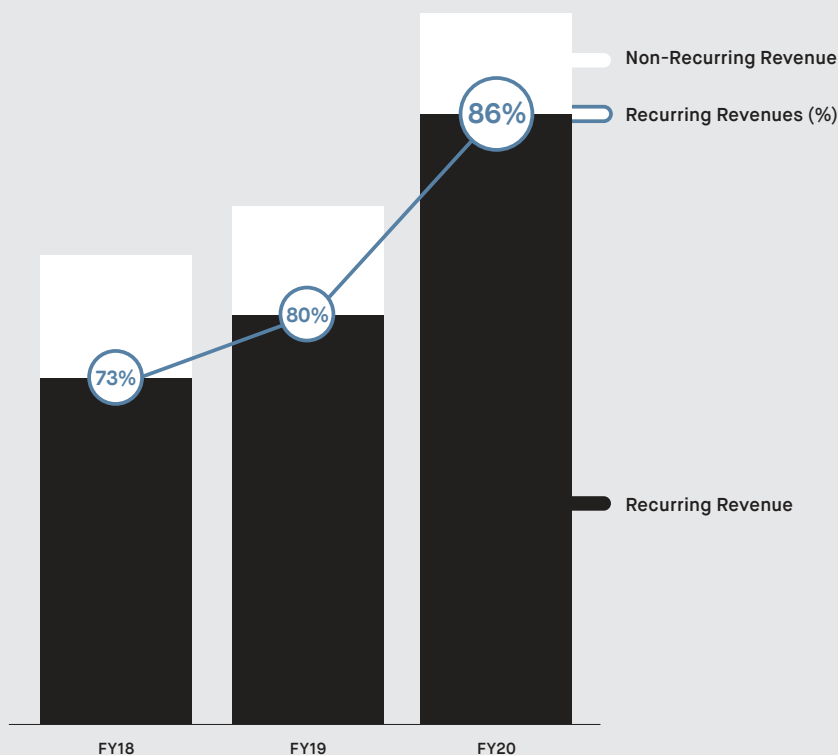
FY20 performance fee cash collected<sup>1</sup>



**\$32.6m**

Latent unrecognised performance fees<sup>2</sup>

**FY20 TOTAL REVENUES UNDERPINNED BY RECURRING REVENUES**



<sup>1</sup> Performance fee cash of \$37.2m including GST attributable to Centuria Zenith Fund, Centuria 8 Central Avenue Fund 1 and 2 Wentworth Street Parramatta Fund. FY19 cash collected of \$1.4m

<sup>2</sup> The underlying property funds managed by Centuria Capital Group have accrued total performance fees of \$40.4m as at 30 June 2020. \$7.7m of this amount has been recognised life to date with the latent unrecognised performance fee being \$32.6m



# Centuria's dual growth strategy

Over \$5.0bn of direct real estate purchases and corporate acquisitions (2017 to date)

## CORPORATE

JANUARY  
2017

# \$1.4bn

ACQUISITION

Manager of (ASX:TIX), (ASX:TOF)  
and four unlisted funds



MAY  
2019

# \$620m

ACQUISITION

63% stake in  
Heathley Limited

HEATHLEY

JULY  
2020

# \$1.8bn

ACQUISITION

Platform highly concentrated  
towards office/industrial assets



## REAL ESTATE

OCTOBER  
2018

# \$645m

ACQUISITION

Hines office  
portfolio<sup>1</sup>

Hines

DECEMBER  
2019

# \$492m

ACQUISITION

Nishi Building<sup>2</sup> & two  
Arnott's assets<sup>3</sup>

NISHI The logo for Nishi and Arnott's, featuring the word 'NISHI' in black capital letters and the 'ARNOTT'S' logo in red and white.

AUGUST  
2020

# \$417m

ACQUISITION

Telstra Data Centre,  
Clayton, VIC<sup>3</sup>

The logo for Telstra, featuring a blue stylized 'T' and the word 'TELSTRA' in blue capital letters.

1 Acquired by COF and The Lederer Group

2 Acquired by COF

3 Acquired by CIP

# Leveraging deep in-house management expertise



CIP: ARNOTT'S, 46 ROBINSON ROAD EAST, VIRGINIA, QLD

## STRONG CAPITAL TRANSACTION CAPABILITIES



**\$1.7bn<sup>1</sup>**

Across 20 acquisitions<sup>1</sup>



**2nd**

Largest acquirer of Australian industrial assets in CY2019<sup>2</sup>



**4th**

Largest acquirer of Australian commercial assets in CY2019<sup>3</sup>

<sup>1</sup> Includes CIP acquisitions announced on 5 August 2020. Excludes Augusta Capital acquisitions

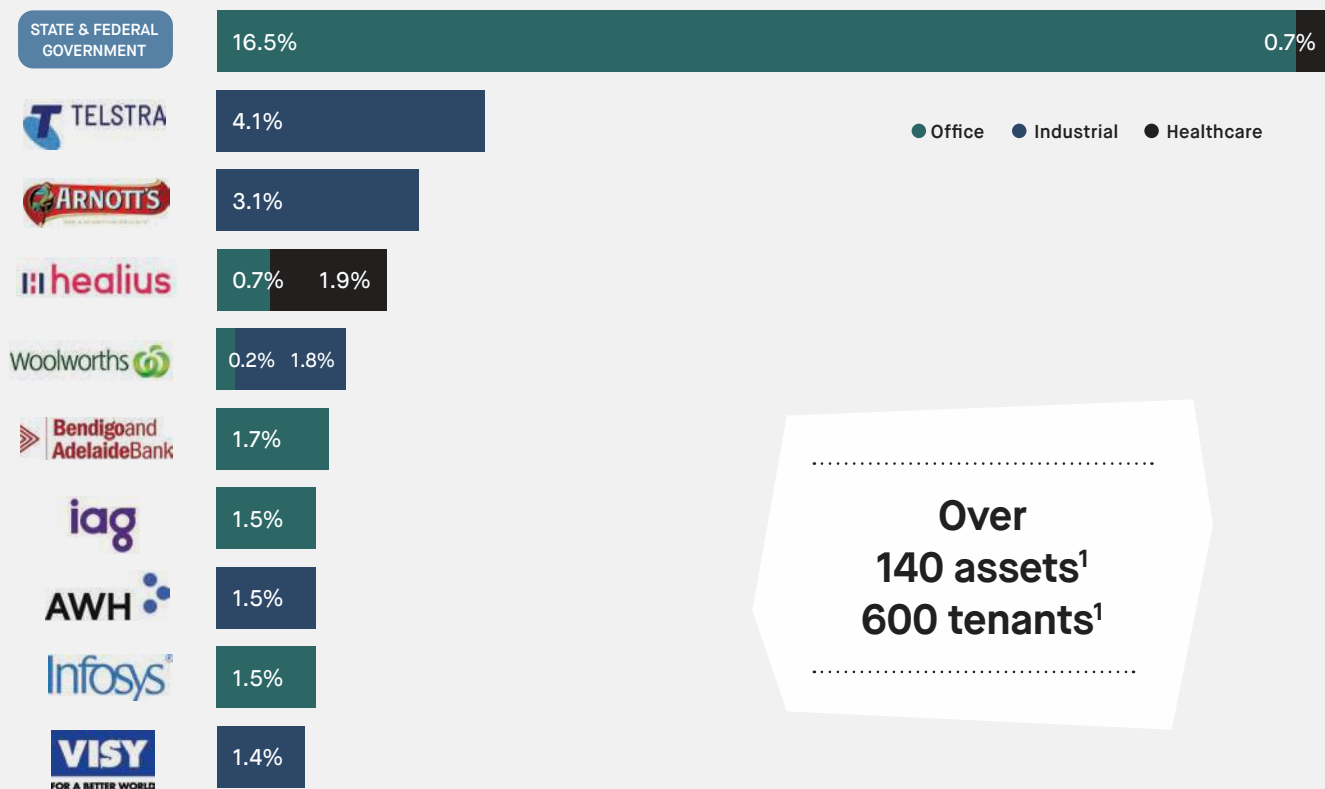
<sup>2</sup> Source: JLL

<sup>3</sup> Source: Cushman and Wakefield



**STRONG ACTIVE ASSET MANAGEMENT CAPABILITIES**

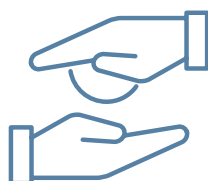
**TOP PORTFOLIO TENANTS<sup>1</sup>**



**PRUDENT MANAGEMENT AND STRONG PERFORMANCE THROUGH COVID-19**



In house management facilitates greater tenant engagement through period of uncertainty



**91%**  
Average real estate platform rent collections April to June<sup>2,3</sup>



All Centuria funds have continued to distribute through COVID-19

<sup>1</sup> As at 30 June 2020. Includes CIP acquisitions announced 5 August 2020. Excludes Augusta Capital Limited assets

<sup>2</sup> Excludes Augusta Capital Limited assets

<sup>3</sup> As COVID-19 impacts and the National Code of Conduct on Commercial Leases remain active, it is possible that further rent relief claims could be received

# A focus on Environmental, Social & Governance (ESG)

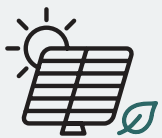
Centuria is committed to the development and implementation of environmental and social sustainability practices across its portfolio, while adhering to its best practice corporate governance.

Sustainable practices and principles are vital within the communities and markets Centuria operates. We are dedicated to improving the environmental and social wellbeing of our office, industrial and healthcare communities.

Centuria aims to progress a pragmatic and achievable sustainability framework that guides our investment decisions, asset management and stakeholder relations for the betterment of the communities and markets we operate within.

## Environmental

### ENERGY: OFFICE PORTFOLIO



**1,476**

SOLAR PANELS  
INSTALLED



**537t**

CO<sub>2</sub> EMISSIONS  
REDUCED



Assessing other opportunities  
to implement solar initiatives  
across the portfolio



**4.66**

AVERAGE NABERS  
ENERGY RATING<sup>1</sup>

### PROPOSED NEW ENERGY EFFICIENT DEVELOPMENT FOR CENTURIA INDUSTRIAL REIT



#### 42 Hoepner Road, Bundamba, QLD

2.4ha site purchased in June 2020, expanding  
CIP's holding within the precinct

DA in place to build c.10,200sqm modern warehouse facility

Anticipated end value of \$17.5m



ASSESSING OPPORTUNITIES  
TO DELIVER DESIGN OUTCOMES  
TO A GREEN STAR STANDARD  
FOR 42 HOEPNER RD.

<sup>1</sup> Average by value. Includes COF, fixed term funds and CDPF

## How Centuria has managed over 50% growth in AUM<sup>1</sup> since FY20 start

### FY20 INITIATIVES

- Integration of Centuria Heathley (now Centuria Healthcare)
- Information Communication Technology and Cyber Security Committee
- Established Centuria Brisbane office to provide active asset management for increased QLD portfolio
- Vision 2020 launched – integrated property management / finance software to support platform efficiency & scale  
System now in place to contribute towards strong platform growth
- Continued focus on Non-Financial Risk Committee reporting directly to Board
- Restructured Centuria Responsible Entity Boards announced 30 July 2020 – broadening experience and diversity

### CURRENT FOCUS

- Integration of Augusta Capital Limited  
Established solid relationships with key management personnel. Focused on integration into Centuria as COVID-19 impacts unwind
- Continued enhancement of governance, systems and processes to support further platform expansion

<sup>1</sup> Centuria AUM as at 30 June 2020, Augusta AUM as at 31 March 2020. Includes CIP acquisitions announced 5 August 2020

SUPPORTING FOODBANK WITH 4,500SQM OF FREE STORAGE FOR OVERFLOW DONATIONS TOWARD THE AUSTRALIAN BUSHFIRE CRISIS



Member of the Diversity Council of Australia

Supporting International Women's Day



CENTURIA HEALTHCARE: \$0.7BN OF SPECIALIST HEALTHCARE REAL ESTATE FOCUSED ON COST-EFFECTIVE MODELS OF CARE, STRONG ALIGNMENT TO REPUTABLE OPERATORS



CENTURIA HEALTHCARE: ST JOHN OF GOD MURDOCH HOSPITAL

# Social

**St Lucy's School: On-going fundraising and volunteer support provided for students with disabilities**



**Partnered with Group Homes Australia (GHA) to develop and construct homes for people living with dementia**



**Social and affordable housing developments: Providing affordable homes for key workers and disadvantaged people as part of Centuria's commitment to society**



316 MAITLAND ROAD, MAYFIELD, NSW



45 PENDLEBURY ROAD, CARDIFF, NSW



316 MAITLAND ROAD, MAYFIELD, NSW



23-25 YOUNG ST, WEST GOSFORD, NSW



357-359 MANN ST, NORTH GOSFORD, NSW

**FOUR PROJECTS, 190 DWELLINGS**

- Construction for all projects progressing in-line with expectations
- Anticipating project practical completions in early to mid 2021
- Major institutional funding in place

**PARTNERING WITH COMPASS HOUSING (TIER 1 SERVICE PROVIDER) AND TETRIS CAPITAL**

- CNI equity contribution circa \$20m
- **Centuria:** Developer
- **Compass:** Community housing provider (Tenant)
- **Tetris:** Upfront take out party

# Board of directors



**Garry Charny**

**CHAIRMAN**

Garry was appointed as Chairman of the Centuria Capital Group Board on 30 March 2016. He has significant board-level experience with listed and unlisted companies across a diverse range of sectors including property (Trafalgar Corporate, which became 360 Capital, and Manboom); retail (Apparel Group, Sportscraft, and Saba); technology (General Electric EcXpress and 1st Available) and media (Boost Media, Macquarie Radio, and April Entertainment).

Currently, he is Managing Director and founder of Wolseley Corporate, an Australian corporate advisory and investment house that consults on local and international transactions in the USA, United Kingdom, Malaysia, India and throughout South-East Asia. Wolseley specialises in mergers and acquisitions, strategic corporate advice and contentious matter resolution.

Garry is also Chairman of Spotted Turquoise Films, an international Film and Television Company based in Sydney and Los Angeles, and Chairman of Shero Investments, a Sydney-based investment company.

Previously, he was co-founder and Chairman of Boost Media International, an international media advisory business with offices in Sydney, New York, Toronto, Kuala Lumpur and Delhi. He was also President of Boost Media LLC (USA).

From 1983-1995, Garry practised as a Barrister-at-Law at the Sydney Bar specialising in corporate, commercial, equity and media. He was an Adjunct Lecturer in Law at the University of NSW.



**John McBain**

**EXECUTIVE DIRECTOR  
AND JOINT CEO**

Joint CEO John McBain has founded four real estate entities including Hanover Property Group Ltd, Waltus Investments, Century Funds Management and Centuria Capital, the latter two with Joint CEO, Jason Huljich. He has 40 years real estate experience across Australian, New Zealand and British markets, focused on the industrial and office sectors.

John is chiefly responsible for the company's macro and long-term strategic direction, mergers and acquisitions, corporate governance and he jointly steers the Senior Executive Committee. Since 2007, he has helped integrate several businesses into the company's fold, including a former 360 Capital Group listed platform (2016), a 63% interest in Heathley Limited (2019) and, more recently, the full takeover of Augusta Capital Limited (2020).

John holds a Diploma in Urban Valuation (University of Auckland).



**Jason Huljich**

**EXECUTIVE DIRECTOR  
AND JOINT CEO**

Joint CEO Jason Huljich's 24-year real estate career spans the Australian commercial and industrial real estate sectors. He co-founded Centuria Capital, with Joint CEO, John McBain.

Jason is chiefly responsible for the company's real estate portfolio and funds management operations including the listed Centuria Industrial REIT (ASX: CIP) and Centuria Office REIT (ASX: COF), as well as Centuria's 76 unlisted funds. Several unlisted funds regularly feature in the Top 10 Performing Core Funds in the Property Council of Australia / MSCI Australia Unlisted Retail Quarterly Property Funds Index.

Jason's career began after graduating with a Bachelor of Commerce (Commercial Law major) from the University of Auckland. He is a Property Funds Association of Australia (PFA) Past President and National Executive Committee Member. The PFA is the peak industry body representing the \$125 billion direct property investment industry.



**Peter Done**

**INDEPENDENT  
NON-EXECUTIVE DIRECTOR**

Peter joined the Centuria Capital Group Board as an Independent Non-Executive Director in November 2007. He is also Chairman of Centuria Capital Group's Audit, Risk Management and Compliance Committee.

He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.

Peter hails from a 38-year career at KPMG. From 1979, he held the position of Partner until his retirement in 2006. During his 27 years as Partner, Peter was the lead audit partner for many clients, including those involved in property development, primary production and television and film production and distribution.

Peter holds a Bachelor of Commerce (Accounting) from the University of New South Wales and is a Fellow of Chartered Accountants Australia and New Zealand.



**John Slater**

**INDEPENDENT  
NON-EXECUTIVE DIRECTOR**

John joined the Centuria Capital Group Board as an Independent Non-Executive Director in May 2013 having previously been an adviser to the Centuria Life Friendly Society Investment Committee from 2011. He brings a wealth of financial service experience to the Board.

Between 1989 and 1999, John was a senior executive in KPMG's Financial Services and acted as State Director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital.

In 2008, John founded boutique Financial Advisory firm Riviera Capital, which sold in 2016.



**Nicholas Collishaw**

**NON-EXECUTIVE  
DIRECTOR**

Nicholas has been a Non-Executive Director of Centuria Capital Group since October 2017. Previously he was Centuria Capital's CEO of Listed Property Funds, joining in May 2013. Nicholas brings to the Board more than 30 years experience across domestic and international real estate and investment markets.

Between 2005 and 2012, he was Mirvac Group's CEO and Managing Director, responsible for successfully guiding the real estate development and investment company through the Global Financial Crisis and implementing sustained growth strategies.

Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.

Nicholas is currently Executive Director and Co-Founder of Lincoln Place, an Australian fund manager specialising in the retirement sector, as well as Chairman of Redcape Hotel Group.



**Susan Wheeldon**

**INDEPENDENT  
NON-EXECUTIVE DIRECTOR**

Susan joined the Centuria Capital Group Board as an Independent Non-Executive Director in August 2016. She brings extensive experience across international commercial markets within ICT, real estate, legal, aviation and online retail sectors.

Currently, Susan is Country Manager for Australia and New Zealand at Airbnb. Previously, she served in a number of roles, including Head of Government & Performance and Head of Agency at Google, working with major national and global companies to develop and deliver growth strategies that future-proof and build clients' businesses and brands in a constantly changing environment.

During her career Susan has held a number of senior roles in Australia and the United Kingdom across a diverse range of industries including global law firms DLA Piper and King & Wood Mallesons, working with the Virgin Australia & Virgin Atlantic airline brands, as Vice President of Groupon, and as Head of Brand & Retail at AMP Capital Shopping Centres.

She holds an MBA from the Australian Graduate School of Management (AGSM) and is a member of Australian Institute of Company Directors.



CIP: 14-17 DANSU COURT, HALLAM, VIC



# Senior Executive



**John McBain**

**EXECUTIVE DIRECTOR  
AND JOINT CEO**

Joint CEO John McBain's 40-year real estate career spans Australian, New Zealand and British markets, focused on the industrial and office sectors. He is an Executive Director of Centuria Capital Group, Centuria Life Limited, Centuria Healthcare Pty Limited, Augusta Capital Limited, Augusta Funds Management Limited and a Director of Asset Plus Limited (NZX: APL).

John is chiefly responsible for the company's corporate governance, macro and long-term strategic direction, mergers and acquisitions, and he jointly steers the Senior Executive Committee. The Finance, Company Secretarial, Compliance, Investor Relations, Marketing, Communications and Investment Bonds teams report directly to John.

Since 2007, John has helped integrate several businesses into the company's fold, including a former 360 Capital Group listed platform (2016), a 63% interest in Heathley Limited (2019) and, more recently, the full takeover of Augusta Capital Limited (2020).

His career began after graduating with a qualification in property valuation from The University of Auckland. He worked in commercial development before relocating to London, as part of a UK-NZ joint venture, responsible for development and investment projects. In the early 1990s, John emigrated to Sydney and founded Hanover Property Group, which resuscitated distressed commercial assets.

This success led to establishing property syndicator, Waltus Australia, in a joint venture with Waltus New Zealand. In 1999, John and Jason co-founded Century Funds Management, which sold to the Over Fifty Group in 2006. In 2007, they regained control of the entity, rebranded it as Centuria Capital Limited and building it into a leading Australian listed property funds manager with A\$9.4 billion of assets under management.



**Jason Huljich**

**EXECUTIVE DIRECTOR  
AND JOINT CEO**

Joint CEO Jason Huljich's 24-year real estate career spans the Australian commercial and industrial real estate sectors. He co-founded Centuria Capital with Joint CEO, John McBain.

He is an Executive Director of Centuria Capital Group, Centuria Life Limited, Centuria Healthcare Pty Limited, Centuria Healthcare Asset Management Limited, Augusta Capital Limited and Augusta Funds Management Limited.

Jason shares the helm of Centuria with John, collectively overseeing \$9.4 billion of assets under management and 180 staff throughout Australia, New Zealand and Philippines.

He is chiefly responsible for the company's real estate portfolio and funds management operations including the listed Centuria Industrial REIT (ASX: CIP) and Centuria Office REIT (ASX: COF), as well as Centuria's 76 unlisted funds. Several unlisted funds regularly feature in the Top 10 Performing Core Funds in the Property Council of Australia / MSCI Australia Unlisted Retail Quarterly Property Funds Index.

Since Centuria was established, Jason has been pivotal in raising over \$2.5 billion for the listed and unlisted vehicles. He has been central to positioning Centuria as Australia's fourth largest external manager. CIP is part of the S&P/ASX 200 Index and COF and Centuria Capital Group (CNI) are part of the S&P/ ASX 300 Index.

Jason has a hands-on approach to the real estate operations throughout the company's platform. Transactions, Development, Funds Management, Distribution and Asset Management teams all report directly to him.

Jason's career began after graduating with a Bachelor of Commerce (Commercial Law major) from the University of Auckland. He is a Property Funds Association of Australia (PFA)'s Past President and National Executive Committee Member. The PFA is the peak industry body representing the \$125 billion direct property investment industry.



**Simon Holt**

**CHIEF FINANCIAL  
OFFICER**

Simon joined Centuria Capital as Chief Financial Officer in May 2016. He brings with him a wealth of local and global experience covering the corporate, treasury and listed securitisation areas.

He is accountable for financial and treasury management of the Group and, with the Joint CEOs, is also tasked with a specific focus on expanding the parent company, Centuria Capital.

Simon was most recently Chief Financial Officer of WorleyParsons where he spent eight years. Previously, he held a range of senior Finance positions at Westfield Group and Westfield Trust, again spanning eight years.

Simon is a Chartered Accountant and holds a degree in Business (major in Accounting and Marketing). He is also a Member of Australian Institute of Company Directors.

# Senior Executive



**Anna Kovarik**

**GROUP CHIEF RISK OFFICER  
AND COMPANY SECRETARY**

Anna joined Centuria in July 2018 in the role of General Counsel and Company Secretary. In July 2020 Anna was promoted to Group Chief Risk Officer and Company Secretary. Prior to joining Centuria, Anna held the position of Group Risk Manager at Mirvac Group and was previously Head of Group Insurance for AMP and General Counsel and Company Secretary at AMP Capital Brookfield.

Anna holds a Masters of Information Technology, a BA (Hons) in Systems Management, and was awarded a distinction in the Global Executive MBA program at the University of Sydney. She is qualified as a solicitor in both the UK and NSW and was a senior associate at Allens law firm in Sydney where she specialised in the areas of real estate and funds management.



**Ross Lees**

**HEAD OF FUNDS  
MANAGEMENT**

Ross is the Head of Centuria's Real Estate Funds Management business, responsible for both listed and unlisted property funds, which include two ASX-listed REITs as well as 22 unlisted funds, worth just under \$7 billion.

Ross joined the company in 2017 as Centuria Industrial REIT (ASX:CIP) Fund Manager, transforming the REIT into Australia's largest domestic pure play industrial REIT.

He brings more than 16 years of industrial investment management experience to Centuria, having held senior transactional and portfolio management positions for peers including Dexus, LOGOS Group and Stockland.

Ross holds a Master of Applied Finance from Macquarie University and Bachelor of Business (Property Economics) from UWS.



**Andrew Essey**

**HEAD OF  
TRANSACTIONS**

Andrew joined Centuria Capital Group in early 2013, and has held senior positions including National Leasing Manager, Fund Manager and, most recently, Head of Transactions.

Andrew is responsible for originating and managing the Group's property transactions and overseeing of the acquisitions team. He has transacted more than \$4 billion of office and industrial real estate on behalf of Centuria.

Prior to joining Centuria, he was a Director for DTZ's Sydney North Shore Agency, focused on leasing and sales within the North Shore industrial and office park markets. Throughout his six years with DTZ, Andrew directly transacted more than 180 deals on behalf of institutional and private investors.

Andrew holds a Bachelor of Business Administration from Radford University, Virginia, USA with a Major in marketing and a Minor in economics.



### **André Bali**

#### **HEAD OF DEVELOPMENT**

Since 2007, André has overseen all Centuria's project and property development functions, including development and debt funds. He is responsible for both passive and active management of Centuria and Centuria Healthcare's listed and unlisted portfolio including capital works, planning, strategic repositioning of assets to maximise returns, commercial risk management, joint ventures and partnerships, and working closely with Centuria's leasing, capital transactions and funds management teams to enhance value for Centuria's investors.

André has extensive experience in development and investment management across numerous sectors including office, health, residential, industrial and retail. Prior to Centuria, André founded and operated a specialised property consulting and advisory company. His experience also includes several senior positions in a number of property development companies.

André holds an Honours Degree in Applied Science from UNSW, Masters of Commerce (Land Economics) from UWS, Grad Cert of Finance from AGSM, AAPI and held non-executive roles on several not-for-profit organisations including Habitat for Humanity.



### **Victor Georos**

#### **HEAD OF PORTFOLIO AND ASSET MANAGEMENT**

Victor joined Centuria as Senior Portfolio Manager in April 2013 and was appointed Head of Portfolio and Asset Management in July 2015.

In his role he is responsible for overseeing portfolio and asset management of Centuria's portfolio, including the development and implementation of strategies to enhance value through active asset management and development. Victor works closely with the Funds Management team and the Development team. In addition Victor manages the Centuria Property Fund's Valuation program and is actively involved with the constant review of best practice policies and procedures.

Victor has extensive experience in asset and investment management, development and funds management, across the office, retail and industrial sectors, with a key focus on results and ability to build high performance teams across all sectors. Prior to joining Centuria Victor held senior positions with GPT Group and LendLease, including Head of Industrial & Business Parks at GPT.

Victor holds a Bachelor of Land Economy and a Graduate Diploma of Finance and Investment (FINSIA).



### **Michael Blake**

#### **HEAD OF CENTURIA LIFE**

With more than three decades in the wealth management industry across blue-chip Australian and multinational corporations, Michael Blake joined Centuria in 2016 and is responsible for investment bond products provided by Centuria Life.

He is chiefly responsible for Centuria Life's P&L, strategic direction, funds under management growth, product development and directly reports to the Centuria Life Limited (CLL) Board. He manages a team of five in addition to working with Centuria's distribution team to raise the profile and investments in Centuria LifeGoals Investment Bond products.

Prior to his current position, Michael was pivotal in launching the unlisted Centuria Diversified Property Fund.

Michael joined Centuria after 12 years with a prominent international real estate investor and manager, where he secured several industry awards including Fund Manager of the Year and Direct Property and A-REIT of the Year. Prior to this, he held various National Sales Manager and State Manager roles for financial institutions across a 21-year period.

He is a member of the Property Funds Association (PFA). Michael holds a Bachelor of Financial Administration from the University of New England, a Diploma of Financial Planning from the Royal Melbourne Institute of Technology (RMIT), a Master of Business Administration from Macquarie University, and is a graduate of the Australian Institute of Company Directors.



# Directors' Report

For the year ended 30 June 2020

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

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

## DIRECTORS AND DIRECTORS' INTERESTS

### MR GARRY S. CHARNY, BA. LL.B.

*Independent Non-Executive Director and Chairman*

#### **Experience and expertise**

Garry was appointed to the Board on 23 February 2016 and appointed Chairman of Centuria Capital Group on 30 March 2016. Garry is also Chairman of Centuria Life Limited and Over Fifty Guardian Friendly Society Limited.

He is Managing Director and founding principal of Wolseley Corporate, an Australian based corporate advisory and investment house which transacts both domestically and internationally.

He has significant board-level experience in listed and unlisted companies across a diverse range of sectors including property, retail, technology and media. He formerly practised as a barrister in the fields of commercial and equity.

#### **Other directorships**

Garry is Chairman of Wolseley Corporate. He is also Chairman of Spotted Turquoise Films, an international Film and Television company based in Sydney and Los Angeles. He is Chairman of Shero Investments, a Sydney based investment company.

#### **Special responsibilities**

Chairman of the Board  
Chairman of the Conflicts Committee  
Chairman of the Nomination and Remuneration Committee  
Member of the Audit, Risk Management and Compliance Committee

#### **Interests in CNI**

Ordinary stapled securities: 369,676

### MR PETER J. DONE, B.COMM, FCA.

*Independent Non-Executive Director*

#### **Experience and expertise**

Peter was appointed to the Board on 28 November 2007. Peter was a Partner at KPMG for 27 years until his retirement in June 2006.

He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.

#### **Other directorships**

None

#### **Special responsibilities**

Chairman of the Audit, Risk Management and Compliance Committee  
Member of the Nomination and Remuneration Committee

#### **Interests in CNI**

Ordinary stapled securities: 1,328,982

### MR JOHN R. SLATER, DIP.FS (FP), F FIN.

*Independent Non-Executive Director*

#### **Experience and expertise**

John was appointed to the Board on 22 May 2013 having previously been an adviser to the Centuria Life Friendly Society Investment Committee from 2011. He brings a wealth of financial service experience to the Board.

Between 1989 and 1999, John was a senior executive in KPMG Financial Services and acted as State director of the Brisbane practice. He has also served on the Investment Committees of KPMG Financial Services, Berkley Group and Byron Capital.

In 2008, John founded boutique Financial Advisory firm Riviera Capital, which he sold in 2016.

#### **Other directorships**

None

#### **Special responsibilities**

Member of the Audit, Risk Management and Compliance Committee  
Member of the Nomination and Remuneration Committee

#### **Interests in CNI**

Ordinary stapled securities: 3,038,570

## **MS SUSAN WHEELDON, MBA.**

*Independent Non-Executive Director*

### **Experience and expertise**

Susan was appointed to the Board on 31 August 2016.

Susan is Country Manager for Australia and New Zealand at Airbnb. Previously, she served in a number of roles, including Head of Government & Performance and Head of Agency at Google, working with major national and global companies to develop and deliver growth strategies that future-proof and build clients' businesses and brands in a constantly changing environment.

She has previous experience in retail property asset management at AMP Capital Shopping Centres, as Head of Brand & Retail, responsible for delivering alternative revenue from 38 retail assets across Australia and New Zealand with combined annual sales in excess of \$5 billion.

### **Other directorships**

Director of Nimble Australia

### **Special responsibilities**

Member of the Conflicts Committee

### **Interests in CNI**

Ordinary stapled securities: Nil

## **MR NICHOLAS R. COLLISHAW, SAFIN, FAAPI, FRICS.**

*Non-Executive Director*

### **Experience and expertise**

Nicholas has been a Non-Executive Director of Centuria Capital Group since October 2017. Previously he was Centuria Capital's CEO of Listed Property Funds, joining in May 2013. Nicholas brings to the Board more than 30 years experience across domestic and international real estate and investment markets.

Between 2005 and 2012, he was Mirvac Group's CEO and Managing Director, responsible for successfully guiding the real estate development and investment company through the Global Financial Crisis and implementing sustained growth strategies.

Nicholas has held senior positions with James Fielding Group, Paladin Australia, Schroders Australia and Deutsche Asset Management. He has extensive experience in all major real estate markets in Australia and investment markets in the United States, United Kingdom and the Middle East.

### **Other directorships**

Chairman of Redcape Hotel Group Management Ltd

### **Special responsibilities**

None

### **Interests in CNI**

Ordinary stapled securities: 3,861,523

Performance rights granted: 302,561

## **MR JOHN E. MCBAIN, DIP. URBAN VALUATION**

*Executive Director and Joint Chief Executive Officer*

### **Experience and expertise**

Joint CEO John McBain has founded four real estate entities including Hanover Property Group Ltd, Waltus Investments, Century Funds Management and Centuria Capital, the latter two with Joint CEO, Jason Huljich. He has 40 years real estate experience across Australian, New Zealand and British markets, focused on the industrial and office sectors.

John is chiefly responsible for the company's macro and long-term strategic direction, mergers and acquisitions, corporate governance and he jointly steers the Senior Executive Committee. Since 2007, he has helped integrate several businesses into the company's fold, including a former 360 Capital Group listed platform (2016), a 63% interest in Heathley Limited (2019) and, more recently, the full takeover of Augusta Capital Limited (2020).

John holds a Diploma in Urban Valuation (University of Auckland).

### **Other directorships**

None

### **Special responsibilities**

Joint Chief Executive Officer

### **Interests in CNI**

Ordinary stapled securities: 6,441,053

Performance rights granted: 1,891,347

## **MR JASON C. HULJICH, B. COMM.**

*Executive Director and Joint Chief Executive Officer*

### **Experience and expertise**

Joint CEO Jason Huljich's 24-year real estate career spans the Australian commercial and industrial real estate sectors. He co-founded Centuria Capital, with Joint CEO, John McBain.

Jason is chiefly responsible for the company's real estate portfolio and funds management operations including the listed Centuria Industrial REIT (ASX: CIP) and Centuria Office REIT (ASX: COF), as well as Centuria's 76 unlisted funds. Several unlisted funds regularly feature in the Top 10 Performing Core Funds in the Property Council of Australia / MSCI Australia Unlisted Retail Quarterly Property Funds Index.

Jason's career began after graduating with a Bachelor of Commerce (Commercial Law major) from the University of Auckland. He is a Property Funds Association of Australia (PFA) Past President and National Executive Committee Member. The PFA is the peak industry body representing the \$125 billion direct property investment industry.

### **Other directorships**

None

### **Special responsibilities**

Joint Chief Executive Officer

### **Interests in CNI**

Ordinary stapled securities: 3,718,114

Performance rights granted: 1,571,539



# Directors' Report

For the year ended 30 June 2020

## DIRECTORS' MEETINGS

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

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

A = Number of meetings attended

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

# = Not a member of committee

## COMPANY SECRETARY

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

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

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

## PRINCIPAL ACTIVITIES

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

## SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

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



## OPERATING AND FINANCIAL REVIEW

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Directors' Report

For the year ended 30 June 2020

Operational highlights for the key segments were as follows:

## (a) Property Funds Management

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

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

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

## (b) Investment Bonds Management

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

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

## (c) Co-Investments

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

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

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

## EARNINGS PER SECURITY (EPS)

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

## DIVIDENDS AND DISTRIBUTIONS

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

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

## EVENTS SUBSEQUENT TO THE REPORTING DATE

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

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

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

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

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

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

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

## LIKELY DEVELOPMENTS

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

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

## ENVIRONMENTAL REGULATION

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

## INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

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

## NON-AUDIT SERVICES

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

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

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

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

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 50.

## ROUNDING OF AMOUNTS

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

# Directors' Report

For the year ended 30 June 2020

## AUDITED REMUNERATION REPORT

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

The report is structured as follows:

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

## DETAILS OF KMP COVERED IN THIS REPORT

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

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

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

## REMUNERATION POLICY AND LINK TO PERFORMANCE

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

- Ensuring competitive rewards are provided to attract and retain executive talent;
- Linking remuneration to performance so that higher levels of performance attract higher rewards;
- Aligning rewards of all staff, but particularly senior management, to the creation of value to shareholders;
- Making sure the criteria used to assess and reward staff include financial and non-financial measures of performance;

- Ensuring the overall cost of remuneration is managed and linked to operating performance of the Group; and
- Ensuring severance payments due to the Joint Chief Executive Officers on termination are limited to pre-established contractual arrangements which do not commit the Group to making any unjustified payments in the event of non-performance.

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

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

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

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

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

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

## REMUNERATION OF SENIOR MANAGEMENT

### Objective

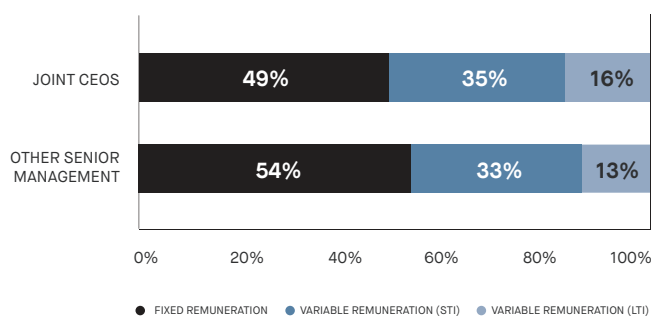
The Group aims to reward senior management with a level and mix of remuneration commensurate with their position and responsibilities within the Group so as to:

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

## Structure

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

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



### (a) Fixed Remuneration

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

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

### (b) Variable Remuneration

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

#### (i) Short-term Incentives (STI)

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

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

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

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

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

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

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

#### (ii) Long-term Incentives (LTI)

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

The primary objectives of the LTI Plan include:

- focusing executives on the longer term performance of the Group to drive long term shareholder value creation;
- ensure senior management remuneration outcomes are aligned with shareholder interests, in particular, the strategic goals and performance of the Group; and
- ensure remuneration is competitive and aligned with general market practice by ASX listed entities.

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

# Directors' Report

For the year ended 30 June 2020

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

Term	Detail
<b>Performance Rights ("Rights")</b>	Each Right is a right to receive a fully paid ordinary stapled security in the Group ("Security"), subject to meeting the Performance Conditions. Upon meeting the Performance Conditions, the Rights vest and securities are allocated. Rights do not carry a right to vote or to dividends or, in general, a right to participate in other corporate actions such as bonus issues.
<b>Vesting conditions</b>	The Rights will vest to the extent that the board determines that: <ul style="list-style-type: none"> <li>- The performance conditions that apply to the Rights were satisfied; and</li> <li>- The employee was continuously employed by the Company until the end of the Performance Period.</li> </ul>
<b>Vesting date</b>	The date on which the Board determines the extent to which the performance conditions are satisfied and the Rights vest.
<b>Performance Conditions</b>	The Performance Conditions set out in the LTI Plan relate to: <ul style="list-style-type: none"> <li>- Growth in property and friendly society funds under management ("FUM Hurdle"); and</li> <li>- Absolute Total Securityholder Return Performance ("Absolute TSR Hurdle").</li> </ul>
<b>Unvested rights</b>	Subject to the Board's discretion, unvested Rights lapse upon the earliest of ceasing employment, corporate restructuring, divestment of material business or subsidiary, change of control, clawback and lapse for fraud and breach, failure to satisfy the Performance Conditions and the 15th anniversary of the date of the grant.

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

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

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

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

### FUM Hurdle

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

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

### Absolute TSR Hurdle

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

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

# Directors' Report

For the year ended 30 June 2020

## Rights Granted

The following Rights were granted to senior management:

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

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

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

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

(i) Grant date of 25 November 2019.

(ii) Grant date of 18 October 2019.



### Statutory remuneration table

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

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

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

### KEY TERMS OF EMPLOYMENT CONTRACTS

#### Group Joint Chief Executive Officers

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

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

#### Other senior management (standard contracts)

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

### NON-EXECUTIVE DIRECTOR REMUNERATION

#### Objective

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

#### Structure

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

# Directors' Report

For the year ended 30 June 2020

## Directors' Fees

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

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

## Director and senior management equity holdings and other transactions

### Director and senior management equity holdings

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

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

**DIRECTOR AND SENIOR MANAGEMENT EQUITY HOLDINGS AND OTHER TRANSACTIONS  
(CONTINUED)**

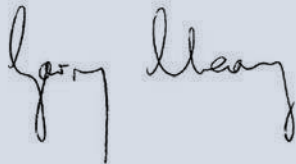
***Transactions with key management personnel***

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

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

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

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



**Mr Garry S. Charny**  
Director



**Mr Peter J. Done**  
Director

Sydney  
12 August 2020



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

To the Directors of Centuria Capital Limited

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

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

  
KPMG

  
Nigel Virgo  
Partner  
Sydney  
12 August 2020

# Financial statements



# Financial Report Contents

Consolidated statement of comprehensive income	53
Consolidated statement of financial position	54
Consolidated statement of changes in equity	55
Consolidated statement of cash flows	56
Notes to the consolidated financial statements	58
<b>A About the report</b>	<b>58</b>
A1 General information	58
A2 Coronavirus (COVID-19) impact	58
A3 Significant accounting policies	59
A4 Adoption of new accounting standards and interpretations	60
A5 Other new Accounting Standards and Interpretations	60
A6 Use of judgements and estimates	60
A7 Segment summary	61
<b>B Business performance</b>	<b>62</b>
B1 Segment profit and loss	62
B2 Revenue	64
B3 Expenses	65
B4 Finance costs	65
B5 Taxation	65
B6 Earnings per security	67
B7 Dividends and distributions	68
<b>C Assets and liabilities</b>	<b>69</b>
C1 Segment balance sheet	69
C2 Receivables	71
C3 Financial assets	72
C4 Investment properties	74
C5 Property held for development	75
C6 Intangible assets	76
C7 Payables	77
C8 Borrowings	77
C9 Right of use asset/Lease liability	78
C10 Contributed equity	79
C11 Commitments and contingencies	79
<b>D Cash flows</b>	<b>80</b>
D1 Operating segment cash flows	80
D2 Cash and cash equivalents	80
D3 Reconciliation of profit for the period to net cash flows from operating activities	80
<b>E Group structure</b>	<b>81</b>
E1 Interests in associates and joint ventures	81
E2 Business combination	83
E3 Interests in material subsidiaries	85
E4 Parent entity disclosure	86
<b>F Other</b>	<b>87</b>
F1 Share-based payment arrangements	87
F2 Guarantees to Benefit Fund policyholders	88
F3 Financial instruments	88
F4 Remuneration of auditors	96
F5 Events subsequent to the reporting date	96
<b>Directors' declaration</b>	<b>97</b>
<b>Independent auditor's report</b>	<b>98</b>

# Consolidated statement of comprehensive income

As at 30 June 2020

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

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

# Consolidated statement of financial position

As at 30 June 2020

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

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



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

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

# Consolidated statement of changes in equity

As at 30 June 2020

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## A About the report

### A1 GENERAL INFORMATION

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

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

#### STATEMENT OF COMPLIANCE

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

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

#### BASIS OF PREPARATION

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

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

#### GOING CONCERN

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

#### ROUNDING OF AMOUNTS

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

### A2 CORONAVIRUS (COVID-19) IMPACT

#### BACKGROUND

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

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

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

#### PROCESSES APPLIED

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

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

## CONSIDERATION OF THE STATEMENTS OF FINANCIAL POSITION AND FURTHER DISCLOSURES

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

### *Financial assets*

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

### *Investment properties*

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

### *Intangible assets*

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

### *Financial instruments*

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

## A3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation in the preparation of the consolidated financial statements are consistent with those adopted in the previous financial year ended 30 June 2019 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated financial statements.

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

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

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

## FOREIGN CURRENCY TRANSACTIONS

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

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

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

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

## FOREIGN OPERATIONS

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

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

## NEW ACCOUNTING STANDARDS

The Group has applied new accounting standards and their impact is disclosed in Note A4. These financial statements contain all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate.

# Notes to the financial statements

For the year ended 30 June 2020

## A4 ADOPTION OF NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

### (A) AASB 16 LEASES

#### (i) Nature of change

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

#### (ii) Impact

The new standard has primarily impacted the accounting for the Group's operating leases. As at the reporting date, the Group has six material operating lease commitments being Level 41 Chifley Square, Sydney NSW, Level 7, 56 Clarence Street, Sydney NSW, 120 Collins Street, Melbourne VIC, 348 Edward Street, Brisbane QLD, 38-35 Gaunt Street Auckland NZ and 331-335 Devon Street East, New Plymouth NZ. The application of the new standard has resulted in the recognition of right of use assets along with lease liabilities for each lease in the consolidated statement of financial position.

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

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

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

## A5 OTHER NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

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

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

### AASB 17 INSURANCE CONTRACTS

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

### AASB 2018-6

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

### AASB 2018-7

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

### AASB 2014-10

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

## A6 USE OF JUDGEMENTS AND ESTIMATES

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

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

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

## A7 SEGMENT SUMMARY

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

The reportable operating segments are:

Operating Segments	Description
<b>Property Funds Management</b>	Management of listed and unlisted property funds and rendering of services in social and affordable housing developments.
<b>Investment Bonds Management</b>	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.
<b>Co-Investments</b>	Direct interest in property funds, properties held for development and other liquid investments
<b>Corporate</b>	Overheads for supporting the Group's operating segments and management of a reverse mortgage lending portfolio

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## B Business performance

### B1 SEGMENT PROFIT AND LOSS

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



## B1 SEGMENT PROFIT AND LOSS (CONTINUED)

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

# Notes to the financial statements

For the year ended 30 June 2020

## B2 REVENUE

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

### (A) RECOGNITION AND MEASUREMENT

Property performance fees

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

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

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

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

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

#### 2 YEARS FROM FORECAST FUND END DATE:

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

#### PROBABILITY THRESHOLDS FOR SENSITIVITY TO PROPERTY VALUATIONS:

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

#### FAIR VALUE OF INVESTMENT PROPERTIES:

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

#### Development revenue

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

### (B) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATIONS

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

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

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

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

### (C) TRANSACTIONS WITH RELATED PARTIES

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

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

#### (i) Terms and conditions of transactions with related parties

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

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

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

## B3 EXPENSES

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

### (A) TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

#### (i) Transactions with directors

For transactions with directors, refer to details included in the Audited remuneration report on page 49. All such transactions are made in arms length transactions at normal market prices and on normal commercial terms.

#### (ii) Key management personnel compensation

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

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

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

## B4 FINANCE COSTS

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

## RECOGNITION AND MEASUREMENT

The Group's finance costs include:

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

## B5 TAXATION

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

### (A) RECONCILIATION OF INCOME TAX EXPENSE

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## (B) CURRENT TAX ASSETS AND LIABILITIES

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

Financial year ended 30 June 2020	Opening balance \$'000	Movement \$'000	Closing balance \$'000
-----------------------------------	------------------------------	--------------------	------------------------------

### Deferred tax assets

Provisions	1,560	604	2,164
Transaction costs	-	3,762	3,762
Capital losses	26,792	(1,664)	25,128
Revenue tax losses	4,021	(2,903)	1,118
Financial derivatives	-	2,757	2,757
Property held for development	-	3,964	3,964
Right of use asset/Lease liability	-	103	103
Equity accounted investment	-	523	523
	<b>32,373</b>	<b>7,146</b>	<b>39,519</b>

### Deferred tax liabilities

Indefinite life management rights	(27,638)	(5,615)	(33,253)
Accrued performance fees	(6,115)	4,617	(1,498)
Accrued income	(290)	-	(290)
Unrealised gain/(loss) on financial assets	(1,432)	1,051	(381)
Other	(138)	(265)	(403)
Transaction costs	(4,733)	4,733	-
Financial derivatives	(2,521)	2,521	-
	<b>(42,867)</b>	<b>7,042</b>	<b>(35,825)</b>

Financial year ended 30 June 2019	Opening balance \$'000	Movement \$'000	Closing balance \$'000
-----------------------------------	------------------------------	--------------------	------------------------------

### Deferred tax assets <sup>(i)</sup>

Provisions	2,643	(1,083)	1,560
Transaction costs	346	(346)	-
Capital losses	26,814	(22)	26,792
Revenue tax losses	-	4,021	4,021
	<b>29,803</b>	<b>2,570</b>	<b>32,373</b>

### Deferred tax liabilities <sup>(i)</sup>

Indefinite life management rights	(27,638)	-	(27,638)
Accrued performance fees	-	(6,115)	(6,115)
Accrued income	(290)	-	(290)
Unrealised gain/(loss) on financial assets	(2,529)	1,097	(1,432)
Other	(6)	(132)	(138)
Financial derivatives	(2,459)	(62)	(2,521)
Transaction costs	-	(4,733)	(4,733)
	<b>(32,922)</b>	<b>(9,945)</b>	<b>(42,867)</b>

## (C) MOVEMENT OF DEFERRED TAX BALANCES

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

### RECOGNITION AND MEASUREMENT

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

#### (i) Current tax

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

#### (ii) Deferred tax

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

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

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

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

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

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

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

**(iii) Tax consolidation**

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

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

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

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

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

**(iv) Current and deferred tax for the period**

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

**B6 EARNINGS PER SECURITY**

	2020 Cents	2019 Cents
Basic (cents per stapled security)	<b>4.7</b>	14.2
Diluted (cents per stapled security)	<b>4.6</b>	13.2

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## B7 DIVIDENDS AND DISTRIBUTIONS

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

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

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

## (A) FRANKING CREDITS

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

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

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

## C Assets and liabilities

### C1 SEGMENT BALANCE SHEET

As at 30 June 2020	Notes	Property Funds Management \$'000	Investment Bonds Management \$'000	Co- Investments \$'000	Corporate \$'000	Operating balance sheet \$'000	Benefits Funds \$'000	Controlled Property Funds \$'000	Eliminations \$'000	Statutory balance sheet \$'000
<b>ASSETS</b>										
Cash and cash equivalents	D2	24,632	6,985	50,707	67,137	<b>149,461</b>	22,585	2,412	-	<b>174,458</b>
Receivables	C2	51,188	1,780	7,744	4,818	<b>65,530</b>	4,192	88	(1,081)	<b>68,729</b>
Income tax receivable	B5	306	-	-	449	<b>755</b>	-	-	-	<b>755</b>
Financial assets	C3	-	-	464,191	58,904	<b>523,095</b>	289,359	-	(39,037)	<b>773,417</b>
Other assets		332	206	205	10,052	<b>10,795</b>	-	-	-	<b>10,795</b>
Investment properties held for sale		-	-	861	-	<b>861</b>	-	-	-	<b>861</b>
Property held for development	C5	-	-	31,295	-	<b>31,295</b>	-	-	-	<b>31,295</b>
Deferred tax assets	B5	29,092	104	-	10,323	<b>39,519</b>	-	-	-	<b>39,519</b>
Equity accounted investments	E1	-	-	32,955	-	<b>32,955</b>	-	-	-	<b>32,955</b>
Investment properties	C4	-	-	-	-	-	-	167,110	-	<b>167,110</b>
Right of use asset	C9	-	-	-	21,393	<b>21,393</b>	-	-	-	<b>21,393</b>
Intangible assets	C6	280,120	-	-	-	<b>280,120</b>	-	-	-	<b>280,120</b>
<b>Total assets</b>		<b>385,670</b>	<b>9,075</b>	<b>587,958</b>	<b>173,076</b>	<b>1,155,779</b>	<b>316,136</b>	<b>169,610</b>	<b>(40,118)</b>	<b>1,601,407</b>
<b>LIABILITIES</b>										
Payables	C7	4,417	2,345	20,749	43,145	<b>70,656</b>	2,220	4,737	(1,081)	<b>76,532</b>
Provisions		873	-	-	1,328	<b>2,201</b>	-	-	-	<b>2,201</b>
Borrowings	C8	-	-	167,291	13,017	<b>180,308</b>	-	85,920	(1,177)	<b>265,051</b>
Provision for income tax	B5	2,570	-	-	494	<b>3,064</b>	2,934	-	-	<b>5,998</b>
Interest rate swap at fair value		-	-	-	32,752	<b>32,752</b>	-	636	-	<b>33,388</b>
Benefit Funds policy holders' liability		-	-	-	-	-	311,535	-	-	<b>311,535</b>
Deferred tax liability	B5(c)	33,253	2	200	2,923	<b>36,378</b>	(533)	-	-	<b>35,825</b>
Call/Put option liability		-	-	-	17,167	<b>17,167</b>	-	-	-	<b>17,167</b>
Lease liability	C9	-	-	-	22,564	<b>22,564</b>	-	-	-	<b>22,564</b>
<b>Total liabilities</b>		<b>41,113</b>	<b>2,347</b>	<b>188,240</b>	<b>133,390</b>	<b>365,090</b>	<b>316,136</b>	<b>91,293</b>	<b>(2,258)</b>	<b>770,261</b>
<b>Net assets</b>		<b>344,557</b>	<b>6,728</b>	<b>399,718</b>	<b>39,686</b>	<b>790,689</b>	<b>-</b>	<b>78,317</b>	<b>(37,860)</b>	<b>831,146</b>

# Notes to the financial statements

For the year ended 30 June 2020

## C1 SEGMENT BALANCE SHEET (CONTINUED)

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



## C2 RECEIVABLES

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

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

### (A) RECEIVABLES FROM RELATED PARTIES

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

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

## RECOGNITION AND MEASUREMENT

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

### (j) Contract balances

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

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

## C3 FINANCIAL ASSETS

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

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## C3 FINANCIAL ASSETS (CONTINUED)

### (A) INVESTMENTS IN RELATED PARTY UNIT TRUSTS CARRIED AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

## RECOGNITION AND MEASUREMENT

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

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

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

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

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

AASB 9 contains three principal classification categories for financial assets

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

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

### *(i) Financial assets at amortised cost*

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

### *(ii) Recoverability of loans and receivables*

At each reporting period, the Group assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive.

The Group analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL, including forecasts of interest rates and inflation, as well as the financial stress of counterparties and their ability to operate as a going concern. Debts that are known to be uncollectable are written off when identified.

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

### *(iii) Financial assets at fair value through profit and loss*

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## C4 INVESTMENT PROPERTIES

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

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

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

## KEY ESTIMATE AND JUDGEMENTS

### (A) VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

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

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

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

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

The valuations were prepared by considering the following valuation methodologies:

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

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

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

## (B) FAIR VALUE MEASUREMENT

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

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

A further sensitivity analysis was taken by the Group to assess the fair value of investment properties given the uncertain impact of the COVID-19 pandemic on property values.

The table below illustrates the valuation of movements in capitalisation rates and discount rate:

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

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

## C5 PROPERTY HELD FOR DEVELOPMENT

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

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

Property	Carrying value at 30 June 2020 \$'000	Impact of increase in costs to complete -5%	Impact of increase in costs to complete +5%	Cap Rate impact -0.50% \$'000	Cap Rate impact +0.50% \$'000
54 Cook Street, Auckland	19,884	496	(496)	1,215	(1,309)
17-19 Man Street, Queenstown	10,116	1,776	(1,776)	1,496	(1,496)
27-29 Young St, West Gosford	1,295	-	-	-	-
	<b>31,295</b>	<b>2,272</b>	<b>(2,272)</b>	<b>2,711</b>	<b>(2,805)</b>

## (A) VALUATION UNCERTAINTY

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

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

# Notes to the financial statements

For the year ended 30 June 2020

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

## (B) VALUATION TECHNIQUES

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

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

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

## C6 INTANGIBLE ASSETS

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

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

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

## RECOGNITION AND MEASUREMENT

### (i) Indefinite life management rights

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

### (ii) Goodwill

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

### (iii) Impairment

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

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

## KEY ESTIMATES AND JUDGEMENTS

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

### REVENUE

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

### EXPENSES

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

### DISCOUNT RATE

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

## TERMINAL GROWTH RATE

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

## SENSITIVITY TO CHANGES IN ASSUMPTIONS

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

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

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

## C7 PAYABLES

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

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

## RECOGNITION AND MEASUREMENT

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

## C8 BORROWINGS

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

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

### (A) SECURED NOTES

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

Fixed	Classification	Coupon Rate	Due Date	2020 \$'000	2019 \$'000
Tranche 1	Current	7.0%	21 April 2021	30,708	83,000
Tranche 2	Non-current	6.5%	21 April 2023	45,000	45,000
Tranche 3	Non-current	5.0%	21 April 2024	18,115	-
				<b>93,823</b>	<b>128,000</b>

Variable	Classification	Coupon Rate	Due Date	2020 \$'000	2019 \$'000
Tranche 1	Current	BBSW +4.5%	21 April 2021	26,040	40,000
Tranche 2	Non-current	BBSW +4.25%	21 April 2023	35,000	35,000
Tranche 3	Non-current	BBSW +4.50%	21 April 2024	13,960	-
				<b>75,000</b>	<b>75,000</b>

# Notes to the financial statements

For the year ended 30 June 2020

## (B) REVERSE MORTGAGE BILL FACILITIES AND NOTES (SECURED)

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

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

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

## (C) SECURED FACILITY - AUGUSTA

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

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

## (D) BANK LOANS - CONTROLLED PROPERTY FUNDS (SECURED)

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

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

## RECOGNITION AND MEASUREMENT

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

## C9 RIGHT OF USE ASSET/LEASE LIABILITY

The Group has six operating lease commitments being, office leases at Level 41 Chifley Square, Sydney NSW, Level 32, 120 Collins Street, Melbourne VIC, Level 2, 348 Edward Street, Brisbane QLD, Level 7, 56 Clarence Street, Sydney NSW, 38-35 Gaunt Street Auckland NZ and 331-335 Devon Street East, New Plymouth NZ. The application of AASB 16 results in the recognition of a right of use asset along with a lease liability in the consolidated statement of financial position.

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

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

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



## C10 CONTRIBUTED EQUITY

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

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

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

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

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

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

### RECOGNITION AND MEASUREMENT

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

## C11 COMMITMENTS AND CONTINGENCIES

### AUSTRALIAN GUARANTEES

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

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

### CONSTRUCTION CONTRACTS

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

### NEW ZEALAND GUARANTEES

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

### CAPITAL COMMITMENTS

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

### CONTINGENT LIABILITIES

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## D Cash flows

### D1 OPERATING SEGMENT CASH FLOWS <sup>(i)</sup>

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

(i) The operating segment cash flows support the segment note disclosures of the Group and provide details in relation to the operating segment cash flows performance of the Group. The operating segment cash flows exclude the impact of cash flows attributable to Benefit Funds and Controlled Property Funds. Refer to page 57 for the full statutory cash flow statement of the Group.

### D2 CASH AND CASH EQUIVALENTS

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

### D3 RECONCILIATION OF PROFIT FOR THE PERIOD TO NET CASH FLOWS FROM OPERATING ACTIVITIES

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

### RECOGNITION AND MEASUREMENT

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

## E Group Structure

### E1 INTERESTS IN ASSOCIATES AND JOINT VENTURES

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

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

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

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## (A) SUMMARISED FINANCIAL INFORMATION FOR ASSOCIATES AND JOINT VENTURES

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

Summarised balance sheet (excluding intangibles)	QT Lakeview Developments Pty Ltd		Centuria Diversified Property Fund		Centuria Office REIT		Centuria Industrial REIT	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Cash and cash equivalents	-	-	18,013	-	-	17,546	-	9,348
Investment properties held for sale	-	-	-	-	-	78,500	-	11,400
Other current assets	-	-	11,633	-	-	5,544	-	9,144
<b>Total current assets</b>	-	-	<b>29,646</b>	-	-	<b>101,590</b>	-	<b>29,892</b>
Other non-current assets	4,501	-	166,588	-	-	1,321,475	-	1,209,850
<b>Total tangible non-current assets</b>	<b>4,501</b>	-	<b>166,588</b>	-	-	<b>1,321,475</b>	-	<b>1,209,850</b>
Other current liabilities	-	-	3,812	-	-	30,451	-	28,724
<b>Total current liabilities</b>	-	-	<b>3,812</b>	-	-	<b>30,451</b>	-	<b>28,724</b>
Borrowings	-	-	64,988	-	-	497,222	-	468,431
Other non-current liabilities	-	-	351	-	-	7,180	-	3,541
<b>Total non-current liabilities</b>	-	-	<b>65,339</b>	-	-	<b>504,402</b>	-	<b>471,972</b>
<b>Net tangible assets</b>	<b>4,501</b>	-	<b>127,083</b>	-	-	<b>888,212</b>	-	<b>739,046</b>
Group share in %	25.00%	-	22.68%	-	-	20.76%	-	24.15%
Group share	1,125	-	28,822	-	-	184,392	-	178,544
Goodwill	-	-	3,008	-	-	19,043	-	4,734
<b>Carrying amount</b>	<b>1,125</b>	-	<b>31,830</b>	-	-	<b>203,435</b>	-	<b>183,278</b>
<b>Summarised statement of comprehensive income</b>								
Revenue	-	-	10,919	-	-	108,859	-	93,863
Interest income	-	-	24	-	-	334	-	195
Net (loss)/gain on fair value of investment properties and other investments	-	-	(10,919)	-	-	7,143	-	53,808
Finance costs	-	-	(1,233)	-	-	(22,110)	-	(21,496)
Other expenses	-	-	(3,699)	-	-	(33,910)	-	(34,563)
Other income	-	-	-	-	-	8	-	602
Loss on fair value of derivative financial instruments	-	-	(351)	-	-	(6,752)	-	(3,581)
(Loss)/profit from continuing operations	-	-	(5,259)	-	-	53,572	-	88,828
(Loss)/profit for the year	-	-	(5,259)	-	-	53,572	-	88,828
Other comprehensive income	-	-	-	-	-	-	-	-
<b>Total comprehensive (loss)/income</b>	-	-	<b>(5,259)</b>	-	-	<b>53,572</b>	-	<b>88,828</b>

## E2 BUSINESS COMBINATION

### (A) CENTURIA HEALTHCARE PTY LIMITED ACQUISITION

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

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

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

### CONSIDERATION TRANSFERRED

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

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

#### (i) Contingent consideration

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

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

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

### IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

Goodwill arising from the acquisition has been recognised as follows:

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

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

### TRANSACTION RELATED COSTS

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

# Notes to the financial statements

For the year ended 30 June 2020

## (B) AUGUSTA CAPITAL LIMITED ACQUISITION

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

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

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

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

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

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

## CONSIDERATION TRANSFERRED

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

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

## (I) PAYABLE

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

## (II) EQUITY ISSUED

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

## IDENTIFIABLE ASSETS ACQUIRED AND LIABILITIES ASSUMED

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

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

## GOODWILL

Goodwill arising from the acquisition has been recognised as follows:

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

### (i) Non-controlling interest

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

### (ii) Remeasurement of pre-existing interest

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

### (iii) Goodwill

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

## TRANSACTION RELATED COSTS

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

### E3 INTERESTS IN MATERIAL SUBSIDIARIES

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

Australian subsidiaries	Ownership interest %		Australian subsidiaries	Ownership interest %	
	30 June 2020	30 June 2019		30 June 2020	30 June 2019
	<b>0%</b>	0%	Over Fifty Investments Pty Ltd	<b>100%</b>	100%
Centuria Capital Fund (refer to Note A1)	<b>(100% NCI)</b>	(100% NCI)	Over Fifty Seniors Equity Release Pty Ltd	<b>100%</b>	100%
A.C.N. 062 671 872 Pty Limited	<b>100%</b>	100%	Senex Warehouse Trust No. 1	<b>100%</b>	100%
Belmont Road Development Pty Limited	<b>100%</b>	100%	Centuria Healthcare Pty Ltd*	<b>63%</b>	0%
Belmont Road Management Pty Limited	<b>100%</b>	100%	80 Grenfell Street Pty Ltd	<b>50%</b>	0%
Centuria Canberra No. 3 Pty Limited	<b>100%</b>	100%	Centuria Healthcare Property Fund	<b>100%</b>	0%
Centuria Capital No. 2 Fund	<b>100%</b>	100%	Nexus Property Unit Trust	<b>59%</b>	0%
Centuria Capital No. 2 Industrial Fund	<b>100%</b>	100%	Centuria Retail Fund	<b>0%</b>	50%
Centuria Capital No. 2 Office Fund	<b>100%</b>	100%	Centuria 111 St Georges Terrace Fund	<b>42%</b>	42%
Centuria Capital No. 3 Fund	<b>100%</b>	100%	Centuria Investment Holdings No. 4 Pty Limited	<b>100%</b>	100%
Centuria Capital No. 4 Fund	<b>100%</b>	100%	Centuria Investment Management (CMA) Pty Limited	<b>100%</b>	0%
Centuria Capital No. 5 Fund	<b>100%</b>	100%	Centuria Investment Management (CMA) No. 2 Pty Limited	<b>100%</b>	0%
Centuria Capital No. 7 Fund	<b>100%</b>	100%	Centuria 61-67 Wyatt St Pty Limited	<b>100%</b>	0%
Centuria Capital Health Fund	<b>100%</b>	100%	Centuria 80 Flinders Street Pty Limited	<b>100%</b>	0%
Centuria Developments (Cardiff) Pty Limited	<b>100%</b>	100%	Fromnex Pty Limited	<b>50%</b>	0%
Centuria Developments (Mann Street) Pty Limited	<b>100%</b>	100%	Centuria Business Services Pty Limited	<b>100%</b>	0%
Centuria Developments (Mayfield) Pty Limited	<b>100%</b>	100%	Ahnco Pty Ltd*	<b>63%</b>	0%
Centuria Developments (Young Street) Pty Limited	<b>100%</b>	100%	Centuria Healthcare Asset Management Limited*	<b>63%</b>	0%
Centuria Developments Pty Limited	<b>100%</b>	100%	Centuria Healthcare Asset Management Nominee 1 Pty Ltd*	<b>63%</b>	0%
Centuria Employee Share Fund Pty Ltd	<b>100%</b>	100%	Heathley Developments Limited*	<b>63%</b>	0%
Centuria Finance Pty Ltd	<b>100%</b>	100%	Centuria Healthcare Energy Company Pty Ltd*	<b>63%</b>	0%
Centuria Funds Management Limited	<b>100%</b>	100%	Heathley Finance Company Pty Ltd*	<b>63%</b>	0%
Centuria Industrial Property Services Pty Limited	<b>100%</b>	100%	Centuria Healthcare Funds Distributions Limited*	<b>63%</b>	0%
Centuria Institutional Investments No. 3 Pty Limited	<b>100%</b>	100%	Heathley Funds Management Pty Ltd*	<b>63%</b>	0%
Centuria Investment Holdings Pty Limited	<b>100%</b>	100%	Centuria Healthcare Investments Pty Ltd*	<b>63%</b>	0%
Centuria Investment Management (CDPF) Pty Ltd	<b>100%</b>	100%	Heathley Investor Services Pty Limited*	<b>63%</b>	0%
Centuria Industrial Property Services Pty Ltd	<b>100%</b>	100%	Heathley Nominees Pty Ltd*	<b>63%</b>	0%
Centuria Institutional Investments No. 3 Pty Limited	<b>100%</b>	100%	Heathley Property Services Pty Limited*	<b>63%</b>	0%
Centuria Investment Holdings Pty Limited	<b>100%</b>	100%			
Centuria Investment Management (CDPF) Pty Ltd	<b>100%</b>	100%			
Centuria Investment Services Pty Limited	<b>100%</b>	100%			
Centuria Lane Cove Debt Fund	<b>100%</b>	100%			
Centuria Life Limited	<b>100%</b>	100%			
Centuria Nominees No. 3 Pty Limited	<b>100%</b>	100%			
Centuria Platform Investments Pty Limited	<b>100%</b>	100%			
Centuria Properties No. 3 Limited	<b>100%</b>	100%			
Centuria Property Funds Limited	<b>100%</b>	100%			
Centuria Property Funds No. 2 Limited	<b>100%</b>	100%			
Centuria Property Services Pty Limited	<b>100%</b>	100%			
Centuria SubCo Pty Limited	<b>100%</b>	100%			
Over Fifty Capital Pty Ltd	<b>100%</b>	100%			
Over Fifty Funds Management Pty Ltd	<b>100%</b>	100%			

New Zealand Subsidiaries			
Augusta Capital Limited	<b>64%</b>		0%
Augusta Funds Management Limited	<b>64%</b>		0%
Augusta Property Holdco Limited	<b>64%</b>		0%
Augusta Lake View Holdings Limited	<b>64%</b>		0%
Centuria New Zealand Holdings Limited	<b>100%</b>		0%

Singapore subsidiaries			
Centuria Capital Private Limited (Singapore)	<b>100%</b>		100%

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

# Notes to the financial statements

For the year ended 30 June 2020

## RECOGNITION AND MEASUREMENT

### (i) Basis of consolidation

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

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

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

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

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

## E4 PARENT ENTITY DISCLOSURE

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

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

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

### Total equity of the parent entity comprising of

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

### (A) GUARANTEES ENTERED INTO BY THE PARENT ENTITY

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

### (B) COMMITMENTS AND CONTINGENT LIABILITIES OF THE PARENT ENTITY

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

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

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



## F Other

### F1 SHARE-BASED PAYMENT ARRANGEMENTS

#### (A) LTI PLAN DETAILS

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

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

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

Further details of the LTI Plan are included in the Audited remuneration report from page 42 to 49.

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

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

#### (B) MEASUREMENT OF FAIR VALUES

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

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

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

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

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

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

#### RECOGNITION AND MEASUREMENT

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## F2 GUARANTEES TO BENEFIT FUND POLICYHOLDERS

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

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

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

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

## F3 FINANCIAL INSTRUMENTS

### (A) MANAGEMENT OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

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

### (B) CAPITAL RISK MANAGEMENT

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

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

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

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

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

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

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

## **(C) FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

30 June 2020	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	Amortised cost	Not applicable	174,458	174,458
Receivables	Amortised cost	Not applicable	68,729	68,729
Financial assets	Fair value	Level 1	639,398	639,398
Financial assets	Fair value	Level 2	73,920	73,920
Financial assets - mortgage backed assets	Fair value	Level 3	1,195	1,195
Reverse mortgages receivables	Fair value	Level 3	58,904	58,904
			<b>1,016,604</b>	<b>1,016,604</b>
<b>FINANCIAL LIABILITIES</b>				
Payables	Amortised cost	Not applicable	76,532	76,532
Benefit Funds policy holders' liability	Amortised cost	Not applicable	311,535	311,535
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	265,051	267,907
Interest rate swaps - controlled property funds	Fair value	Level 2	636	636
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	32,752	32,752
Call/Put option liability	Fair value	Level 3	17,167	17,167
			<b>703,673</b>	<b>706,529</b>

30 June 2019	Measurement basis	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>FINANCIAL ASSETS</b>				
Cash and cash equivalents	Amortised cost	Not applicable	124,673	124,673
Receivables	Amortised cost	Not applicable	69,862	69,862
Financial assets	Fair value	Level 1	252,883	252,883
Financial assets	Fair value	Level 2	48,296	48,296
Financial assets - mortgage backed assets	Fair value	Level 3	1,215	1,215
Reverse mortgages receivables	Fair value	Level 3	53,720	53,720
			<b>550,649</b>	<b>550,649</b>
<b>FINANCIAL LIABILITIES</b>				
Payables	Amortised cost	Not applicable	42,232	42,232
Benefit Funds policy holders' liability	Amortised cost	Not applicable	339,557	339,557
Borrowings (net of borrowing costs)	Amortised cost	Not applicable	303,110	309,624
Interest rate swaps - controlled property funds	Fair value	Level 2	731	731
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	28,083	28,083
			<b>713,713</b>	<b>720,227</b>

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.

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

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

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

Year ended 30 June 2020	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Call/Put option liability \$'000	Total \$'000
Balance at 1 July 2019	1,215	53,720	(28,083)	-	26,852
Loan repaid	(20)	(1,646)	465	-	(1,201)
Call/Put option liability	-	-	-	(17,167)	(17,167)
Accrued interest	-	2,871	(1,760)	-	1,111
Attributable to interest rate and other risk	-	4,782	(4,669)	-	113
Attributable to credit risk	-	(823)	1,295	-	472
<b>Balance at 30 June 2020</b>	<b>1,195</b>	<b>58,904</b>	<b>(32,752)</b>	<b>(17,167)</b>	<b>10,180</b>

Year ended 30 June 2019	Other mortgage backed assets at fair value \$'000	Reverse mortgages fair value \$'000	Fixed-for-life interest rate swaps \$'000	Call/Put option liability \$'000	Total \$'000
Balance at 1 July 2018	1,215	48,059	(22,939)	-	26,335
Loan repaid	-	(1,379)	227	-	(1,152)
Accrued interest	-	2,956	(1,495)	-	1,461
Attributable to interest rate and other risk	-	5,061	(7,211)	-	(2,150)
Attributable to credit risk	-	(977)	3,335	-	2,358
<b>Balance at 30 June 2019</b>	<b>1,215</b>	<b>53,720</b>	<b>(28,083)</b>	<b>-</b>	<b>26,852</b>

**KEY ESTIMATES AND JUDGEMENTS**

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## RECOGNITION AND MEASUREMENT

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

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

## (D) CREDIT RISK

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

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

### (i) Credit risk of reverse mortgages

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

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

### (ii) Credit risk on other financial assets

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

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

## (E) LIQUIDITY RISK

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

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

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

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

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

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

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

Non-derivative financial liabilities	On demand \$'000	Less than 3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2020</b>						
Borrowings	-	1,010	72,001	221,360	-	294,371
Payables	-	76,532	-	-	-	76,532
Call/Put option liability	-	-	-	24,942	-	24,942
Benefit Funds policyholder's liability	311,535	-	-	-	-	311,535
Finance lease liabilities	-	443	1,404	8,938	11,779	22,564
<b>Total</b>	<b>311,535</b>	<b>77,985</b>	<b>29,603</b>	<b>317,172</b>	<b>11,779</b>	<b>729,944</b>
<b>2019</b>						
Borrowings	-	1,141	29,603	317,172	-	347,916
Payables	-	42,232	-	-	-	42,232
Benefit Funds policyholder's liability	339,557	-	-	-	-	339,557
<b>Total</b>	<b>339,557</b>	<b>43,373</b>	<b>29,603</b>	<b>317,172</b>	<b>-</b>	<b>729,705</b>

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

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

#### (F) MARKET RISK

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

# Notes to the financial statements

For the year ended 30 June 2020

## (i) Interest rate risk management

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

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

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

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

## (ii) Interest rate swap contracts

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

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



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

### (iii) Interest rate sensitivity

The sensitivity analysis below has been determined based on the parent and the Group's exposure to interest rates at the balance date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates. A 25 basis point (0.25%) increase or decrease represents management's assessment of the reasonably possible change in interest rate.

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

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

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

### (iv) Fair value hedges

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

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

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

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

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

# Notes to the financial statements

For the year ended 30 June 2020

## F4 REMUNERATION OF AUDITORS

Amounts received or due and receivable by KPMG:

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

## F5 EVENTS SUBSEQUENT TO THE REPORTING DATE

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

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

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

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

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

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

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

# Directors' Declaration

For the year ended 30 June 2020

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

(a) the consolidated financial statements and notes set out on pages 52 to 96 and the Remuneration Report set out on pages 42 to 49 in the Directors' Report, are in accordance with the *Corporations Act 2001*, including:

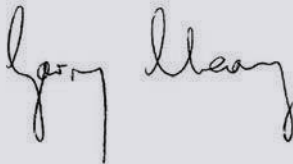
- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
- (ii) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

Note A1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Joint Chief Executive Officers and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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



**Mr Garry S. Charny**  
Director



**Mr Peter J. Done**  
Director

Sydney  
12 August 2020

# Independent Auditor's Report

To the stapled security holders of Centuria Capital Group

## Report on the audit of the Financial Report

### Opinion

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

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

- giving a true and fair view of the Stapled Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** of the Stapled Group comprises the:

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

The Stapled Group consists of the Company and the entities it controlled at the year-end or from time to time during the financial year and Centuria Capital Fund and the entities it controlled at the year-end or from time to time during the financial year.

### Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

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

## Key Audit Matters

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

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

**Key Audit Matters** are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Recognition of performance fee income (\$21.5m)

Refer to Note B2 to the Financial Report

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

<p>yields. This leads to additional audit effort due to the differing assumptions based on asset classes, geographies and characteristic of individual investment properties.</p> <ul style="list-style-type: none"> <li>• Forecast fund end date. The fund end date impacts the level of returns that can be achieved over the course of the funds life and may change depending on management’s view of when maximum value can be obtained for unitholders of the fund.</li> <li>• Constraint. This is impacted by the Stapled Group’s expectations of how much of the performance fee is highly probable to be received in accordance with the requirements of the accounting standards.</li> </ul>	<p>investment properties, the Stapled Group’s fund strategy and history of extending fund term end dates.</p> <ul style="list-style-type: none"> <li>• Recalculated the Stapled Group’s performance fee recognised against hurdles in the underlying performance fee agreements with managed property funds.</li> <li>• Challenged the constraints applied in determining the amount of performance fees that are highly probable to be received by the Stapled Group, based on the Stapled Group’s estimate of current and forecast property fund performance. We used our knowledge of the Stapled Group, their past performance, business, and our industry experience.</li> </ul>
--	---

**Accounting for acquisitions**

Refer to Note E2 to the Financial Report

<b>The key audit matter</b>	<b>How the matter was addressed in our audit</b>
<p>During the year, the Stapled Group acquired:</p> <ul style="list-style-type: none"> <li>• 63.92% of Augusta Capital Limited (“Augusta”); and</li> <li>• 63.06% of Centuria Healthcare Pty Ltd (“Centuria Healthcare”) (formerly known as Heathley Limited).</li> </ul> <p>Acquisition accounting is identified as a key audit matter given the significance to the financial statements and the significant judgment required to assess:</p> <ul style="list-style-type: none"> <li>• The effective date of the transaction based on the evidence and determination of the date of control and consolidation.</li> <li>• Fair value of consideration transferred;</li> <li>• Fair value of acquired assets and liabilities including the value of identifiable intangible assets (e.g. management rights);</li> <li>• Recognition of goodwill arising from the acquisition;</li> <li>• Accounting treatment and valuation of the put and call option in relation to the remaining interest in Centuria Healthcare;</li> </ul> <p>We involved valuation specialists in assessing this key audit matter.</p>	<p>In performing our procedures, we:</p> <ul style="list-style-type: none"> <li>• Obtained an understanding of the acquisition by examining the sales and purchase agreements and transaction documents.</li> <li>• Considered the Stapled Group’s determination of the date control was obtained. We did this by evaluating the facts and circumstances of the transaction and their relevance to the Stapled Group’s assessment of control and impact on the date control was obtained.</li> <li>• Assessed the Stapled Group’s determination of the fair value of consideration transferred, considering all available information including published prices and contractual agreements.</li> <li>• Worked with our valuation specialists to assess the Stapled Group’s determination of fair value of acquired assets and liabilities. In particular, we focused on the fair value of identifiable intangible assets (e.g. management rights).</li> <li>• Evaluated the recognition of goodwill against accounting standard requirements.</li> <li>• Evaluated the Stapled Group’s recognition and calculation of put and call option. This included assessing its classification against accounting standard requirements and challenging the</li> </ul>

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

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

## Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report and Appendix 4E. The Investor Report, Key Financial Metrics, Chairman's Report, Chief Executive's Report, Unlisted Property, Listed Property, Centuria Life and Centuria in the Community are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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

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

## Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for:

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



- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf) This description forms part of our Auditor's Report.

### Report on the Remuneration Report

#### Opinion

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

#### Directors' responsibilities

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


#### Our responsibilities

We have audited the Remuneration Report included in pages 42 to 49 of the Directors' report for the year ended 30 June 2020.

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



KPMG



Nigel Virgo

Partner

Sydney

12 August 2020

# Additional ASX information

As at 31 July 2020

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

## DISTRIBUTION OF SECURITIES

Analysis of numbers of securityholders by size of holding:

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

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

## TOP 20 SECURITYHOLDERS

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

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

## SUBSTANTIAL HOLDERS

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

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

## VOTING RIGHTS

All ordinary securities carry one vote per security without restriction.

# Corporate directory

## CONTACT US

**Shareholder Enquiries**  
1800 182 257

## HEAD OFFICE

### **Centuria Capital Limited**

Level 41, Chifley Tower,  
2 Chifley Square  
SYDNEY NSW 2000

T. (02) 8923 8923

F. (02) 9460 2960

contactus@centuria.com.au

## SHAREHOLDER ENQUIRIES

Boardroom Pty Limited  
Centuria Capital Limited,  
GPO Box 3993  
Sydney NSW 2001

T. 1800 182 257

E. CNI.Enquiry@

CenturiaInvestor.com.au

## FRIENDLY SOCIETY INVESTOR ENQUIRIES

Centuria Life Limited,  
Level 32, 120 Collins Street  
Melbourne VIC 3000

T. 1300 50 50 50

contactus@centuria.com.au

## GROUP CHIEF RISK OFFICER AND COMPANY SECRETARY

### **Anna Kovarik**

Level 41, Chifley Tower,  
2 Chifley Square  
SYDNEY NSW 2000

T. (02) 8923 8923

F. (02) 9460 2960

## Disclaimer

This annual report is provided for general information purposes only. It is not a prospectus, product disclosure statement, pathfinder document or any other disclosure document for the purposes of the Corporations Act and has not been, and is not required to be, lodged with the Australian Securities & Investments Commission. It should not be relied upon by the recipient in considering the merits of CNI or the acquisition of securities in CNI. Nothing in this annual report constitutes investment, legal, tax, accounting or other advice and it is not to be relied upon in substitution for the recipient's own exercise of independent judgment with regard to the operations, financial condition and prospects of CNI.

The information contained in this annual report does not constitute financial product advice. Before making an investment decision, the recipient should consider its own financial situation, objectives and needs, and conduct its own independent investigation and assessment of the contents of this annual report, including obtaining investment, legal, tax, accounting and such other advice as it considers necessary or appropriate.

This annual report has been prepared without taking account of any person's individual investment objectives, financial situation or particular needs. It is not an invitation or offer to buy or sell, or a solicitation to invest in or refrain from investing in, securities in CNI or any other investment product. The information in this annual report has been obtained from and based on sources believed by CNI to be reliable. To the maximum extent permitted by law, CNI and the members of the Centuria Capital Group make no representation or warranty, express or implied, as to the accuracy, completeness, timeliness or reliability of the contents of this annual report. To the maximum extent permitted by law, CNI does not accept any liability (including, without limitation, any liability arising

from fault or negligence) for any loss whatsoever arising from the use of this annual report or its contents or otherwise arising in connection with it. This annual report may contain forward-looking statements, guidance, forecasts, estimates, prospects, projections or statements in relation to future matters ('Forward Statements'). Forward Statements can generally be identified by the use of forward looking words such as "anticipate", "estimates", "will", "should", "could", "may", "expects", "plans", "forecast", "target" or similar expressions. Forward Statements including indications, guidance or outlook on future revenues, distributions or financial position and performance or return or growth in underlying investments are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. No independent third party has reviewed the reasonableness of any such statements or assumptions.

Neither CNI nor any member of Centuria Capital Group represents or warrants that such Forward Statements will be achieved or will prove to be correct or gives any warranty, express or implied, as to the accuracy, completeness, likelihood of achievement or reasonableness of any Forward Statement contained in this annual report. Except as required by law or regulation, CNI assumes no obligation to release updates or revisions to Forward Statements to reflect any changes. The reader should note that this annual report may also contain pro-forma financial information. Distributable earnings is a financial measure which is not prescribed by Australian Accounting Standards ("AAS") and represents the profit under AAS adjusted for specific non-cash and significant items. The Directors of CFML consider that distributable earnings reflect the core earnings of the Centuria Capital Fund. All dollar values are in Australian dollars (\$) or A\$) unless stated otherwise.

