Centuria

Centuria Capital Group

Interim Financial Report
for the half year ended 31 December 2018

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

Centuria Capital Group
Interim Financial Report - 31 December 2018

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These consolidated interim financial statements are the interim financial statements of the consolidated entity consisting of Centuria Capital Limited and its subsidiaries. The interim financial statements are presented in the Australian currency.

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

Centuria Capital Limited
Level 39, 100 Miller Street
North Sydney NSW 2060

The consolidated interim financial statements were authorised for issue by the Directors on 13 February 2019.

Directors' report

The directors of Centuria Capital Limited (the 'Company') present their interim report together with the interim financial statements of the Company and its controlled entities (the 'Group') for the half year ended 31 December 2018 and the auditor's review 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 are a single security under the ticker code 'CNI'.

Directors

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

Director	Role	Appointment Date
Mr Garry S. Charny	Independent Non-Executive Director and Chairman	23 February 2016
Mr Peter J. Done	Independent Non-Executive Director	28 November 2007
Mr John R. Slater	Independent Non-Executive Director	22 May 2013
Ms Susan Wheeldon-Steele	Independent Non-Executive Director	31 August 2016
Mr Nicholas R. Collishaw	Non-Executive Director	27 August 2013
Mr John E. McBain	Executive Director and Chief Executive Officer	10 July 2006
Mr Jason C. Huljich	Executive Director and Head of Real Estate and Funds Management	28 November 2007

Operating and financial review

The Group recorded a consolidated statutory net profit after tax for the half year of $22,224,000 (half year ended 31 December 2017: $36,342,000). Statutory net profit after tax has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards.

The Group recorded an operating profit after tax for the half year of $21,701,000 (half year ended 31 December 2017: $30,212,000). Operating profit after tax excludes non-operating items such as transaction costs and fair value movements and share of net profit of equity accounted investments in excess of distributions received.

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

Reconciliation of statutory profit to operating profit	**31 December 2018 $'000**	31 December 2017 $'000
Statutory profit after tax	**22,224**	36,342
Statutory earnings per security (EPS) (cents)	***6.4***	*13.4*
Less non-operating items:		
Unrealised loss/(gain) on fair value movements in derivatives, property and investments	**(879)**	(1,728)
Corporate restructure, transaction and other costs	**5,346**	110
(Profit)/loss attributable to controlled property funds	**(1,019)**	(2,886)
Eliminations between the operating and non-operating segment	**35**	(1,176)
Equity accounting adjustments	**(2,736)**	-
Tax impact of above non-operating adjustments	**(1,270)**	(450)
Operating profit after tax	**21,701**	30,212
Operating EPS (cents)	***6.5***	*12.1*

Operating and financial review (continued)

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

Operational highlights for the key divisions were as follows:

Segment	Operating profit after tax for the half year $'000		Increase/ Decrease	%	Highlights
	31 December 2018	31 December 2017			
Property Funds Management	**14,142**	24,711	(10,569)	(43)	(a)
Investment Bonds Division	**1,215**	1,705	(490)	(29)	(b)
Co-Investments	**9,201**	5,106	4,095	80	(c)

(a) Property Funds Management

For the half year ended 31 December 2018, Property Funds Management operating profit after tax of $14,142,000 was lower than the prior half year ending 31 December 2017 by $10,569,000 primarily due to the impact of performance fees of $9,557,000 recognised in the current half year in accordance with AASB 15 compared to $25,830,000 of performance fees earned on the sale of 10 Spring Street in the half year ended 31 December 2017.

Excluding the after tax impact of performance fees, the Property Funds Management segment profit increased by $822,000, reflecting the growth in assets under management (AUM) in addition to the contribution arising from the 360 Capital transaction that occurred at the end of the half year ended 31 December 2016.

Operational highlights for the half year included:

- Increase in recurring Property Funds Management segment revenue of $1,321,000 or 7% from $18,935,000 for the half year ended 31 December 2017 to $20,256,000 for the half year ended 31 December 2018
- Increase in Unlisted AUM from $1.9 billion as at 30 June 2018 to $2.2 billion as at 31 December 2018
- Increase in Listed AUM from $2.1 billion as at 30 June 2018 to $2.6 billion as at 31 December 2018

(b) Investment Bonds Management

For the half year ended 31 December 2018, the Investment Bonds Management segment's operating profit after tax decreased by $490,000 to $1,215,000 due to strategic review costs and launch of new investment options branded as Centuria LifeGoals.

(c) Co-Investments

For the half year ended 31 December 2018, the Co-Investments segment operating profit after tax increased by $4,095,000. This was primarily due to a significant increase in co-investment holdings across Centuria's listed REITs compared to the prior half year.

During the current half year, the Group's ownership stakes in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) increased to 20.76% and 24.15% respectively. As a result, the Group's accounting treatment of these investments changed from being recognised as financial assets held at fair value to equity accounted investments.

The operating profit after tax for the Co-Investments segment represents the distributions and returns generated from those investments after the applicable financing costs.

Operating and financial review (continued)

Earnings per security (EPS)

	31 December 2018		31 December 2017	
	Operating	Statutory	Operating	Statutory
Basic EPS (cents/security)	**6.5**	**6.4**	12.1	13.4
Diluted EPS (cents/security)	**6.1**	**6.0**	11.0	12.3

Dividends and Distributions

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

Dividends/distributions paid during the half year	Cents per security	Total amount $'000	Date paid/payable
Final 2018 dividend (100% franked)	1.00	3,048	27 July 2018
Final 2018 Trust distribution (60% tax deferred)	3.10	9,449	27 July 2018
Dividends/distributions declared during the half year			
Interim 2019 dividend (100% franked)	0.85	3,260	4 February 2019
Interim 2019 Trust distribution	3.40	13,038	4 February 2019
Total amount	**8.35**	**28,795**	

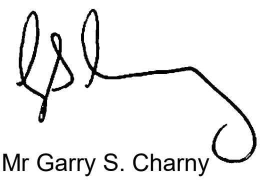
Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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

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



Mr Garry S. Charny
Director
Sydney

Mr Peter J. Done
Director
Sydney

Sydney
13 February 2019

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 review of Centuria Capital Limited for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nigel Virgo
Partner
Sydney
13 February 2019

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Consolidated interim statement of comprehensive income

For the half year ended 31 December 2018

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Revenue	B1	**55,058**	76,624
Share of net profit of equity accounted investments	E1	**11,817**	-
Net movement in policyholder liability		**15,824**	2,509
Fair value movements of financial instruments and property		**(7,841)**	9,494
Expenses	B3	**(42,960)**	(33,001)
Finance costs	B4	**(9,757)**	(7,826)
Profit before tax		**22,141**	47,800
Income tax benefit/(expense)		**83**	(11,458)
Profit after tax		**22,224**	36,342
Profit after tax is attributable to:			
Centuria Capital Limited		**5,277**	20,960
Centuria Capital Fund (non-controlling interests)		**16,141**	12,655
External non-controlling interests		**806**	2,727
Profit after tax		**22,224**	36,342
Other comprehensive income		**-**	-
Total comprehensive income for the period		**22,224**	36,342
Total comprehensive income for the year is attributable to:			
Centuria Capital Limited		**5,277**	20,960
Centuria Capital Fund (non-controlling interests)		**16,141**	12,655
External non-controlling interests		**806**	2,727
Total comprehensive income		**22,224**	36,342
Total comprehensive income for the year is attributable to:			
Centuria Capital Limited		**5,277**	20,960
Centuria Capital Fund (non-controlling interests)		**16,141**	12,655
Total comprehensive income for the year is attributable to Centuria Capital Group securityholders		**21,418**	33,615
Earnings per Centuria Capital Group security			
Basic (cents per stapled security)		**6.4**	13.4
Diluted (cents per stapled security)		**6.0**	12.3
Earnings per Centuria Capital Limited share			
Basic (cents per share)		**1.6**	8.4
Diluted (cents per share)		**1.5**	7.6

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

Consolidated interim statement of financial position

As at 31 December 2018

	Notes	31 December 2018 $'000	30 June 2018 $'000
Cash and cash equivalents		**67,086**	101,914
Receivables	C2	**35,164**	21,164
Income tax receivable		**892**	161
Financial assets	C3	**484,506**	644,832
Other assets		**2,059**	2,036
Investment properties held for sale	C4	**-**	63,400
Equity accounted investments	E1	**377,822**	-
Investment properties	C5	**180,250**	147,100
Intangible assets	C6	**157,663**	157,663
Total assets		**1,305,442**	1,138,270
Liabilities			
Payables	C7	**35,955**	32,405
Liability to 360 Capital Group		**40,168**	41,161
Provisions		**1,862**	1,597
Borrowings	C8	**323,189**	245,739
Interest rate swaps at fair value		**22,881**	23,411
Benefit Funds policyholder's liability		**335,633**	349,677
Deferred tax liabilities		**2,690**	3,119
Total liabilities		**762,378**	697,109
Net assets		**543,064**	441,161
Equity			
Equity attributable to Centuria Capital Limited			
Contributed equity	C9	**128,214**	98,770
Reserves		**1,660**	1,896
Retained earnings		**30,022**	28,005
Total equity attributable to Centuria Capital Limited		**159,896**	128,671
Equity attributable to Centuria Capital Fund (non-controlling interests)			
Contributed equity	C9	**313,496**	244,930
Retained earnings		**21,286**	18,183
Total equity attributable to Centuria Capital Fund (non-controlling interests)		**334,782**	263,113
Total equity attributable to Centuria Capital Group securityholders		**494,678**	391,784
Equity attributable to external non-controlling interests			
Contributed equity		**32,927**	32,927
Retained earnings		**15,459**	16,450
Total equity attributable to external non-controlling interests		**48,386**	49,377
Total equity		**543,064**	441,161

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

Consolidated interim statement of changes in equity

For the half year ended 31 December 2018	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)				External non-controlling interests			
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total attributable to Centuria Capital Group Securityholders $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total equity $'000
Balance at 1 July 2018	98,770	1,896	28,005	128,671	244,930	18,183	263,113	391,784	32,927	16,450	49,377	441,161
Profit for the period	-	-	5,277	5,277	-	16,141	16,141	21,418	-	806	806	22,224
Total comprehensive income for the period	**-**	**-**	**5,277**	**5,277**	**-**	**16,141**	**16,141**	**21,418**	**-**	**806**	**806**	**22,224**
Equity based payment	966	(236)	-	730	-	-	-	730	-	-	-	730
Dividends and distributions paid/accrued	-	-	(3,260)	(3,260)	-	(13,038)	(13,038)	(16,298)	-	(1,797)	(1,797)	(18,095)
Stapled securities issued	29,425	-	-	29,425	70,694	-	70,694	100,119	-	-	-	100,119
Cost of equity raising	(947)	-	-	(947)	(2,128)	-	(2,128)	(3,075)	-	-	-	(3,075)
Balance at 31 December 2018	**128,214**	**1,660**	**30,022**	**159,896**	**313,496**	**21,286**	**334,782**	**494,678**	**32,927**	**15,459**	**48,386**	**543,064**

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

Consolidated interim statement of changes in equity

For the half year ended 31 December 2017	Centuria Capital Limited				Centuria Capital Fund (non-controlling interests)				External non-controlling interests			
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total attributable to Centuria Capital Group securityholders $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total equity $'000
Balance at 1 July 2017	77,323	1,551	11,694	90,568	170,672	4,844	175,516	266,084	45,367	30,500	75,867	341,951
Profit for the period	-	-	20,960	20,960	-	12,655	12,655	33,615	-	2,727	2,727	36,342
Total comprehensive income for the period	**-**	**-**	**20,960**	**20,960**	**-**	**12,655**	**12,655**	**33,615**	**-**	**2,727**	**2,727**	**36,342**
Equity based payment	535	(162)	-	373	-	-	-	373	-	-	-	373
Dividends and distributions paid/accrued	-	-	(5,184)	(5,184)	-	(7,314)	(7,314)	(12,498)	-	(3,601)	(3,601)	(16,099)
Stapled securities issued	21,494	-	-	21,494	77,146	-	77,146	98,640	-	-	-	98,640
Cost of equity raising	(818)	-	-	(818)	(2,875)	-	(2,875)	(3,693)	-	-	-	(3,693)
Deconsolidation of controlled property funds	-	-	-	-	-	(152)	(152)	(152)	(10,585)	(5,062)	(15,647)	(15,799)
Balance at 31 December 2017	**98,534**	**1,389**	**27,470**	**127,393**	**244,943**	**10,033**	**254,976**	**382,369**	**34,782**	**24,564**	**59,346**	**441,715**

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

Consolidated interim statement of cash flows

For the half year ended 31 December 2018

	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities		
Management fees received	**16,823**	26,010
Performance fees received	**-**	25,830
Rent received	**10,468**	12,271
Distributions received	**19,989**	9,335
Interest received	**3,506**	5,693
Other income	**647**	542
Interest paid	**(7,887)**	(6,155)
Income taxes paid	**(1,076)**	(8,173)
Payments to suppliers and employees	**(34,192)**	(27,242)
Applications - Benefits Funds	**6,935**	13,314
Redemptions - Benefits Funds	**(16,822)**	(15,964)
Net cash (used in)/provided by operating activities	**(1,609)**	35,461
Cash flows from investing activities		
Proceeds from sale of related party investments	**1,783**	47,167
Purchase of investments in related parties	**(119,280)**	(97,732)
Repayment of loans by related parties	**-**	2,000
Collections from reverse mortgage holders	**411**	712
Payments for property, plant and equipment	**(402)**	(213)
Purchase of subsidiaries	**-**	(766)
Payments in relation to investment properties	**-**	(4,898)
Purchase of other investments	**(69,462)**	(52,723)
Benefit Funds (acquisitions)/disposals of investments in financial assets	**7,926**	(10,656)
Loans provided to other parties	**-**	(25,980)
Cash contribution to related party	**(20,000)**	-
Purchase of equity related investments	**(21,046)**	-
Loans repaid by other parties	**5,865**	-
Proceeds from sale of investment property	**22,600**	-
Net cash used in investing activities	**(191,605)**	(143,089)
Cash flows from financing activities		
Proceeds from borrowings	**100,400**	29,447
Repayment of borrowings	**(21,557)**	(203)
Proceeds from issues of securities to securityholders of Centuria Capital Group	**100,119**	98,639
Equity raising costs paid	**(3,070)**	(3,692)
Capitalised borrowing costs paid	**(1,730)**	(441)
Distributions paid to securityholders of Centuria Capital Group	**(12,497)**	(11,814)
Distributions paid to external non-controlling interests	**(3,279)**	(3,601)
Net cash provided by financing activities	**158,386**	108,335
Net (decrease)/increase in cash and cash equivalents	**(34,828)**	707
Cash and cash equivalents at the beginning of the period	**101,914**	74,382
Cash and cash equivalents at end of period	**67,086**	75,089

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

A About the report

A1 General information

The shares in Centuria Capital Limited and the units in Centuria Capital Fund ('CCF') are stapled to 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, and co-investment in property investment funds.

Statement of compliance

The consolidated interim financial statements for the half year ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all the notes of the type normally included in the annual financial report. Accordingly, this report should be read in conjunction with the annual consolidated financial statements for the year ended 30 June 2018 and any public announcements made by the Group during the half year reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

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

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

A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2018 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated interim financial statements.

When the presentation or classification of items in the consolidated interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

The Group has now applied equity accounting to its investments in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) as the Group's ownership in these entities exceeded 20% during the period and significant influence was established. These investments were previously recognised as financial assets at fair value. Details of the accounting policy on equity accounted investments are included in Note E1.

The Group has applied new accounting standards and their impact is disclosed in Note A3.

A3 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 9 Financial instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

(i) *Classification – Financial assets*

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

On transition to AASB 9, the new classification requirements do not have a material impact on the Group's accounting for all receivables and financial assets (which are already carried at fair value with the exception of reverse mortgage loan receivables).

Reverse mortgage loan receivables were previously recorded at amortised cost using the effective interest method less impairment. On transition to AASB 9, these receivables will be reclassified to FVTPL, however, there is no material change in their measurement and as a result there is no impact on the Group's equity at 1 July 2018.

In future periods, implication of the change from amortised cost to FVTPL could result in increased volatility in the Group's results as gains or losses arising from changes in fair value measurement assumptions are now reported through the profit and loss.

(ii) *Impairment – Receivables*

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the Group's receivables which continue to be measured at amortised cost. The new impairment model does not apply to the Group's reverse mortgage loan receivables which are now classified as FVTPL under AASB 9.

On transition to AASB 9, the new impairment model does not have a material impact on the Group's equity as at 1 July 2018.

(iii) *Hedge accounting*

The new hedge accounting rules generally allow for more hedge relationships to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have a significant impact as a result of the hedging changes on transition on 1 July 2018.

The Group has made an election under AASB 9 to continue to apply the hedge accounting requirements in AASB 139 instead of AASB 9 for its fair value hedges.

(iv) *Transition*

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, however as there is no material impact on carrying amounts of financial assets and financial liabilities, there will no transitional implications on the Group's equity at 1 July 2018 nor it's comparatives.

A3 Adoption of new accounting standards and interpretations (continued)

(a) AASB 9 Financial instruments (continued)

(v) *Accounting policies*

Policy application from 1 July 2018

AASB 9 contains three principal classification categories for financial assets:

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

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

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 ECL model.

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 are the ECLs that 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.

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.

Reverse mortgage loan receivables financial assets are recognised at FVTPL.

A3 Adoption of new accounting standards and interpretations (continued)

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from customers applies to all contracts with customers to deliver goods or services as part of the entity's ordinary course of business excluding insurance contracts, financial instruments and leases which are addressed by other standards. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

AASB 15 replaces the considerations of risks and rewards under AASB 118 to the concept of when control passes to the customer as the trigger point for the recognition of revenue.

The Group's revenue streams which are in scope under the new standard include management fees from property funds, property acquisition fees, property sales fees and property performance fees. Rental income, interest income, distribution and dividend income and fair value movements in investment properties are excluded from the scope of this standard.

(i) *Impact*

The Group has adopted AASB 15 using the cumulative effect method and as a result, there has been no impact on the Group's previously reported financial position.

In accordance with AASB 15, based on the Group's assessment of when performance obligations are satisfied there is no change to the classification, measurement or timing of revenue recognition (other than property performance fees) when comparing to the previous accounting policy, other than the change in terminology.

Performance fees were previously recognised upon satisfaction of all conditions precedent to the sale of an investment property and when significant risks and rewards have transferred. There is no transitional impact from adoption of AASB 15, however future performance fees will be recognised at over-time. In assessing the timing and measurement of performance fees to be recognised, 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.

In accordance with AASB 15, the Group has recognised $9,557,000 of property performance fees for the period ended 31 December 2018. Under AASB 118, the Group would not have recognised any property performance fees.

(ii) *Accounting policies*

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

A3 Adoption of new accounting standards and interpretations (continued)

(b) AASB 15 Revenue from Contracts with Customers (continued)

(ii) *Accounting policies (continued)*

The table below summarises the changes in terminology with respect to the timing of revenue recognition between AASB 111 and AASB 118 compared to AASB 15 and the new revenue recognition policies under AASB 15.

Type of revenue	Description	Revenue recognition policy under AASB 118	Revenue recognition policy under AASB 15
Management fees	The Group provides:		
	a) fund management services to property funds in accordance with the fund constitutions. The services are provided on an ongoing basis and revenue is calculated and recognised in accordance with the relevant constitution. The fees are invoiced and paid monthly in arrears.	Recognised on an accruals basis based on the contract terms.	Over-time
	b) property management services to the owners of property assets in accordance with property services agreements. The services are utilised on an ongoing basis and revenue is calculated and recognised in accordance with the specific agreement. The fees are invoiced monthly with variable payment terms depending on the individual agreements.	Recognised on an accruals basis based on the contract terms.	Over-time
	c) lease management service to the owners. The revenue is recognised when the specific service is delivered (e.g. on lease execution) and consideration is due 30 days from invoice date.	Recognised in the period in which the services are rendered	Point-in-time
	d) development management services to the owners of property assets in accordance with development management agreements. Revenue is calculated in accordance with the specific agreement and invoiced in accordance with the contract terms. Consideration is due from the customer based on the specific terms agreed in the contract and is recognised when the Company has control of the benefit.	Recognised in the period in which the services are rendered	Point-in-time
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. The consideration is due upon successful sale of the investment property if the performance hurdles are satisfied.	Recognised in the period in which the services are rendered	Over-time
Recoverable outgoings	The Group recovers the costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements. These are invoiced monthly based on an annual estimate. The consideration is due 30 days from invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of financial performance within the same reporting period and billed annually.	Recognised on an accruals basis based on the contract terms	Over-time
Property acquisition fees	The Group provides property acquisition related services to property funds and the revenue is based on a fixed percentage included in the PDS issued at the establishment of the fund. The consideration is due upon successful settlement of the investment property.	Recognised in the period in which the services are rendered	Point-in-time

A3 Adoption of new accounting standards and interpretations (continued)

(b) AASB 15 Revenue from Contracts with Customers (continued)

(ii) Accounting policies (continued)

Property sales fees	The Group provides sales services to the owners of property assets in accordance with property management agreements. The consideration is due upon successful sale of the investment property .	Recognised in the period in which the services are rendered	Point-in-time

A4 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2018.

A5 Segment summary

As at 31 December 2018 the Group has four reportable operating segments. These reportable operating segments are the divisions which report to the Group's Chief Executive Officer and Board of Directors for the purpose of resource allocation and assessment of performance.

The reportable operating segments are:

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

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

Non-operating segments	Description
Non-operating items	Comprises transaction costs, mark-to-market movements on property and derivative financial instruments, and all other non-operating activities including share of net profit of equity accounted investments in excess of distributions received
Benefit Funds	Represents the operating results and financial position of the Benefit Funds which are required to be consolidated in the Group’s financial statements in accordance with accounting standards
Controlled Property Funds	Represents the operating results and financial position of property funds which are controlled by the Group and consolidated under accounting standards
Eliminations	Elimination of transactions between the operating segments and the other three non-operating segments above

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

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

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

B Business performance

B1 Segment profit and loss

For the half year 31 December 2018	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		19,335	5,067	-	-	**24,402**	-	-	-	(3,904)	**20,498**
Property acquisition fees		40	-	-	-	**40**	-	-	-	-	**40**
Property performance fees		9,557	-	-	-	**9,557**	-	-	-	-	**9,557**
Property sales fees		226	-	-	-	**226**	-	-	(226)	-	**-**
Interest revenue		250	44	82	1,415	**1,791**	-	3,024	21	(71)	**4,765**
Rental income		-	-	-	-	**-**	-	-	8,028	-	**8,028**
Recoverable outgoings		-	-	-	-	**-**	-	-	2,108	-	**2,108**
Distribution/dividend revenue		-	-	14,696	-	**14,696**	(8,296)	1,761	-	(277)	**7,884**
Premiums - discretionary participation features		-	-	-	-	**-**	-	921	-	-	**921**
Other income		405	79	646	11	**1,141**	-	34	82	-	**1,257**
Total revenue		**29,813**	**5,190**	**15,424**	**1,426**	**51,853**	**(8,296)**	**5,740**	**10,013**	**(4,252)**	**55,058**
Share of net profit of equity accounted investments	E1	-	-	-	-	**-**	11,032	785	-	-	**11,817**
Net movement in policyholder liabilities		-	-	-	-	**-**	-	15,824	-	-	**15,824**
Fair value movements of financial instruments and property		-	-	-	-	**-**	879	(8,940)	(22)	242	**(7,841)**
Expenses	B3	(9,348)	(3,431)	(29)	(6,498)	**(19,306)**	(5,346)	(15,946)	(6,266)	3,904	**(42,960)**
Finance costs	B4	-	-	(6,156)	(964)	**(7,120)**	-	(2)	(2,706)	71	**(9,757)**
Profit/(Loss) before tax		20,465	1,759	9,239	(6,036)	**25,427**	(1,731)	(2,539)	1,019	(35)	**22,141**
Income tax benefit/(expense)		(6,323)	(544)	(38)	3,179	**(3,726)**	1,270	2,539	-	-	**83**
Profit/(Loss) after tax		**14,142**	**1,215**	**9,201**	**(2,857)**	**21,701**	**(461)**	**-**	**1,019**	**(35)**	**22,224**
Profit/(loss) after tax attributable to:											
Centuria Capital Limited		14,142	1,215	139	(7,136)	**8,360**	(3,083)	-	-	-	**5,277**
Centuria Capital Fund		-	-	9,062	4,279	**13,341**	2,622	-	213	(35)	**16,141**
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		**14,142**	**1,215**	**9,201**	**(2,857)**	**21,701**	**(461)**	**-**	**213**	**(35)**	**21,418**
Non-controlling interests		-	-	-	-	**-**	-	-	806	-	**806**
Profit/(loss) after tax		**14,142**	**1,215**	**9,201**	**(2,857)**	**21,701**	**(461)**	**-**	**1,019**	**(35)**	**22,224**

B1 Segment profit and loss (continued)

For the half year 31 December 2017	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		15,565	5,081	-	-	**20,646**	-	-	(3)	(4,183)	**16,460**
Property performance fees		25,830	-	-	-	**25,830**	-	-	-	-	**25,830**
Property sales fees		2,971	-	-	-	**2,971**	-	-	-	-	**2,971**
Interest revenue		123	34	349	1,336	**1,842**	-	3,495	42	(213)	**5,166**
Rental income		-	-	-	4	**4**	-	-	8,969	-	**8,973**
Recoverable outgoings		-	-	-	-	**-**	-	-	2,270	-	**2,270**
Distribution/dividend revenue		-	-	8,966	1	**8,967**	-	3,770	-	(66)	**12,671**
Premiums - discretionary participation features		-	-	-	-	**-**	-	1,474	-	-	**1,474**
Other income		276	229	165	14	**684**	-	13	112	-	**809**
Total revenue		**44,765**	**5,344**	**9,480**	**1,355**	**60,944**	**-**	**8,752**	**11,390**	**(4,462)**	**76,624**
Net movement in policyholder liabilities		-	-	-	-	**-**	-	2,509	-	-	**2,509**
Fair value movements of financial instruments and property		-	-	-	-	**-**	1,728	6,885	(361)	1,242	**9,494**
Expenses	B3	(8,054)	(2,899)	(61)	(4,772)	**(15,786)**	(110)	(15,988)	(5,300)	4,183	**(33,001)**
Finance costs	B4	(6)	-	(4,213)	(977)	**(5,196)**	-	-	(2,843)	213	**(7,826)**
Profit/(Loss) before tax		36,705	2,445	5,206	(4,394)	**39,962**	1,618	2,158	2,886	1,176	**47,800**
Income tax benefit/(expense)		(11,994)	(740)	(100)	3,084	**(9,750)**	450	(2,158)	-	-	**(11,458)**
Profit/(Loss) after tax		**24,711**	**1,705**	**5,106**	**(1,310)**	**30,212**	**2,068**	**-**	**2,886**	**1,176**	**36,342**
Profit/(loss) after tax attributable to:											
Centuria Capital Limited		24,711	1,705	234	(4,733)	**21,917**	(1,049)	-	92	-	**20,960**
Centuria Capital Fund		-	-	4,872	3,423	**8,295**	3,117	-	67	1,176	**12,655**
Profit/(loss) after tax attributable to Centuria Capital Group securityholders		**24,711**	**1,705**	**5,106**	**(1,310)**	**30,212**	**2,068**	**-**	**159**	**1,176**	**33,615**
Non-controlling interests		-	-	-	-	**-**	-	-	2,727	-	**2,727**
Profit/(loss) after tax		**24,711**	**1,705**	**5,106**	**(1,310)**	**30,212**	**2,068**	**-**	**2,886**	**1,176**	**36,342**

B2 Revenue

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

(a) Transactions with related parties

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

	31 December 2018 $	31 December 2017 $
Management fees from Property Funds managed by Centuria	**18,702,520**	14,734,859
Distributions from Property Funds managed by Centuria	**1,772,316**	6,400,206
Property acquisition fees from Property Funds managed by Centuria	**40,398**	-
Performance fees from Property Funds managed by Centuria	**9,557,000**	25,829,700
Management fees from Over Fifty Guardian Friendly Society	**1,795,415**	1,668,434
Sales fees from Property Funds managed by Centuria	**-**	2,970,550
Interest income on loans to Property Funds managed by Centuria	**36,958**	-
Fees from Debt funds managed by Centuria	**403,836**	-
Distributions and interest from Debt Funds managed by Centuria	**78,000**	-
Sub-underwriting fees in relation to listed Property funds managed by Centuria	**647,400**	-
	33,033,843	51,603,749

B3 Expenses

	31 December 2018 $'000	31 December 2017 $'000
Employee benefits expense	**12,854**	10,423
Consulting and professional fees	**1,873**	1,822
Property outgoings and fund expenses	**4,786**	3,656
Corporate restructure and transaction costs	**5,138**	110
Administration fees	**943**	1,320
Claims - discretionary participation features only	**12,724**	12,632
Other expenses	**4,642**	3,038
	42,960	33,001

(a) 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 $390,500 (inclusive of GST) (31 December 2017: $198,000) for corporate advisory fees.
- Tailwind Consulting Pty Ltd, a related party of Mr John R. Slater, was paid $137,496 (inclusive of GST) (31 December 2017: $99,000) for consultancy services. In addition, Tailwind Consulting paid the Group $2,640 (inclusive of GST) (31 December 2017: $4,840) for rental of office space.

B4 Finance costs

	31 December 2018 $'000	31 December 2017 $'000
Operating interest charges	**5,806**	4,170
Bank loans in Controlled Property Funds interest charges	**2,706**	2,673
Reverse mortgage facility interest charges	**950**	845
Loss/(gain) on derivatives on fair value hedges	**302**	(50)
Gain/(loss) on financial assets fair value hedges	**(302)**	50
Other finance costs	**295**	138
	9,757	7,826

B5 Dividends and distributions

	31 December 2018		31 December 2017	
	Cents per security	**Total $'000**	Cents per security	Total $'000
Dividends/distributions paid during the half year				
Final year-end dividend (fully franked)	**1.00**	**3,048**	2.40	5,453
Final year-end distribution	**3.10**	**9,449**	2.80	6,361
Dividends/distributions declared during the half year				
Interim dividend (fully franked) (i)	**0.85**	**3,260**	1.70	5,184
Interim distribution (i)	**3.40**	**13,038**	2.40	7,314
Dividends and distributions paid/declared to Centuria Capital Group securityholders (ii)	**8.35**	**28,795**	9.30	24,312

(i) The Group declared a dividend/distribution in respect of the half year ended 31 December 2018 of 4.25 cents per stapled security which included a dividend of 0.85 cents per share and a distribution of 3.40 cents per security. The final dividend/distribution had a record date of 31 December 2018 and was paid on 4 February 2019. The total amount payable of $16,298,000 has been provided as a liability in these financial statements.

(ii) In addition to the dividends and distributions paid to Centuria Capital Group securityholders, the Group paid distributions of $1,797,000 to external non-controlling Interests.

C Assets and liabilities

C1 Segment balance sheet

As at 31 December 2018	Notes	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Corporate $'000	Operating balance sheet $'000	Benefits Funds $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory balance sheet $'000
Assets										
Cash and cash equivalents		17,783	6,286	10,504	11,320	**45,893**	16,860	4,333	-	**67,086**
Receivables	C2	20,861	1,000	10,560	1,463	**33,884**	2,206	392	(1,318)	**35,164**
Income tax receivable		3,328	(456)	(38)	(2,584)	**250**	642	-	-	**892**
Financial assets	C3	-	-	155,712	45,923	**201,635**	294,280	-	(11,409)	**484,506**
Other assets		60	316	-	1,683	**2,059**	-	-	-	**2,059**
Equity accounted investments	E1	-	-	351,788	-	**351,788**	26,034	-	-	**377,822**
Investment properties	C5	-	-	-	-	**-**	-	180,250	-	**180,250**
Intangible assets	C6	157,663	-	-	-	**157,663**	-	-	-	**157,663**
Total assets		**199,695**	**7,146**	**528,526**	**57,805**	**793,172**	**340,022**	**184,975**	**(12,727)**	**1,305,442**
Liabilities										
Payables	C7	3,880	996	18,879	7,036	**30,791**	1,347	5,135	(1,318)	**35,955**
Liability to 360 Capital Group		-	-	12,940	-	**12,940**	-	27,228	-	**40,168**
Provisions		891	-	-	971	**1,862**	-	-	-	**1,862**
Borrowings	C8	-	-	222,555	8,342	**230,897**	-	94,292	(2,000)	**323,189**
Interest rate swap at fair value		-	-	-	22,524	**22,524**	-	357	-	**22,881**
Benefit Funds policy holders' liability		-	-	-	-	**-**	335,633	-	-	**335,633**
Deferred tax liability		3,122	(152)	6,050	(9,372)	**(352)**	3,042	-	-	**2,690**
Total liabilities		**7,893**	**844**	**260,424**	**29,501**	**298,662**	**340,022**	**127,012**	**(3,318)**	**762,378**
Net assets		**191,802**	**6,302**	**268,102**	**28,304**	**494,510**	**-**	**57,963**	**(9,409)**	**543,064**

C1 Segment balance sheet (continued)

As at 30 June 2018	Notes	Property Funds Management $'000	Investment Bonds Management $'000	Co-Investments $'000	Corporate $'000	Operating balance sheet $'000	Benefits Funds $'000	Controlled Property Funds $'000	Eliminations $'000	Statutory balance sheet $'000
Assets										
Cash and cash equivalents		22,189	6,170	11,531	36,499	**76,389**	20,148	5,377	-	**101,914**
Receivables	C2	6,209	1,318	6,334	3,290	**17,151**	6,400	(378)	(2,009)	**21,164**
Income tax receivable		490	(82)	-	(937)	**(529)**	690	-	-	**161**
Other assets		62	244	-	1,730	**2,036**	-	-	-	**2,036**
Financial assets	C3	-	-	277,919	48,059	**325,978**	330,505	-	(11,651)	**644,832**
Investment properties held for sale	C4	-	-	-	-	**-**	-	63,400	-	**63,400**
Investment properties	C5	-	-	-	-	**-**	-	147,100	-	**147,100**
Intangible assets	C6	157,663	-	-	-	**157,663**	-	-	-	**157,663**
Total assets		**186,613**	**7,650**	**295,784**	**88,641**	**578,688**	**357,743**	**215,499**	**(13,660)**	**1,138,270**
Liabilities										
Payables	C7	1,908	729	12,783	11,426	**26,846**	1,916	5,652	(2,009)	**32,405**
Liability to 360 Capital Group		-	-	6,562	-	**6,562**	-	34,599	-	**41,161**
Provisions		885	-	-	712	**1,597**	-	-	-	**1,597**
Borrowings	C8	-	-	123,552	8,429	**131,981**	-	115,758	(2,000)	**245,739**
Interest rate swap at fair value		-	-	-	22,939	**22,939**	-	472	-	**23,411**
Benefit Funds policy holders' liability		-	-	-	-	**-**	349,677	-	-	**349,677**
Deferred tax liability		923	(94)	-	(3,860)	**(3,031)**	6,150	-	-	**3,119**
Total liabilities		**3,716**	**635**	**142,897**	**39,646**	**186,894**	**357,743**	**156,481**	**(4,009)**	**697,109**
Net assets		**182,897**	**7,015**	**152,887**	**48,995**	**391,794**	**-**	**59,018**	**(9,651)**	**441,161**

C2 Receivables

	31 December 2018 $'000	30 June 2018 $'000
Receivables from related parties (refer to note C2(a))	**24,221**	12,039
Other receivables	**10,943**	9,125
	35,164	21,164

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 period:

	31 December 2018 $	30 June 2018 $
Management fees owing from property funds manged by Centuria	**6,032,726**	3,483,289
Performance fees owing from property funds managed by Centuria	**9,914,000**	357,000
Recoverable expenses owing from property funds managed by Centuria	**1,393,632**	1,486,241
Interest receivable from Centuria 80 Grenfell Fund	**-**	62,799
Acquisition fee receivable from Centuria 80 Grenfell Fund	**-**	1,765,177
Distribution receivable from Centuria Metropolitan REIT	**2,814,461**	1,250,856
Distribution receivable from Centuria Industrial REIT	**2,913,923**	2,346,074
Distribution receivable from Centuria Diversified Property Fund	**31,212**	28,378
Distribution receivable from Centuria Scarborough House Fund	**699**	613
Receivable from Over Fifty Guardian Friendly Society	**437,967**	758,951
Receivables from debt funds managed by Centuria	**681,836**	64,000
Redemption funds receivable from Centuria Diversified Property Fund	**-**	435,781
	24,220,456	12,039,159

C3 Financial assets

	31 December 2018 $'000	30 June 2018 $'000
Investments in trusts, shares and other financial instruments at fair value	**425,364**	362,799
Investment in related party unit trusts at fair value (refer to Note C3(a))	**13,219**	228,109
Loans receivable from related parties (refer to Note C3(b))	**-**	5,865
Reverse mortgage receivables [i]	**25,839**	28,289
Reverse mortgages - hedged item fair value adjustment	**20,084**	19,770
	484,506	644,832

[i] Whilst some mortgages are likely to be repaid during the next 12 months, the Group does not control the repayment date.

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.

	31 December 2018			**30 June 2018**		
	Fair value $	**Units held**	**Ownership %**	Fair value $	Units held	Ownership %
Financial assets held by the Group						
Centuria Industrial REIT*	**-**	**-**	**-**	124,317,757	48,372,668	19.5
Centuria Metropolitan REIT*	**-**	**-**	**-**	68,555,158	27,643,209	11.4
Centuria Diversified Property Fund	**7,321,651**	**5,250,001**	**14.4**	7,050,751	5,250,001	18.9
Centuria Scarborough House Fund	**102,826**	**102,826**	**0.2**	102,826	102,826	0.2
Centuria Bottleyard Fund	**27,589**	**1,630,000**	**14.2**	1,548,500	1,630,000	14.2
Centuria Rouse Hill Debt Fund	**1,921,863**	**1,921,863**	**18.2**	1,515,527	1,515,527	18.2
	9,373,929			203,090,519		
Financial assets held by the Benefit Funds						
Centuria SOP Fund	**970,000**	**1,000,000**	**3.3**	951,400	1,000,000	3.3
Centuria Metropolitan REIT*	**-**	**-**	**-**	17,454,984	7,038,300	2.9
Centuria Industrial REIT*	**-**	**-**	**-**	2,601,467	1,012,244	0.4
Centuria Iskia Development Fund	**1,850,000**	**1,850,000**	**15.8**	1,850,000	1,850,000	15.8
Centuria Bottleyard Fund	**25,388**	**1,500,000**	**13.0**	1,425,000	1,500,000	13.0
Centuria Rouse Hill Debt Fund	**1,000,006**	**1,000,006**	**9.5**	735,716	735,716	8.8
	3,845,394			25,018,567		
	13,219,323			228,109,086		

* These investments which were previously held as related party investments are equity accounted for the half year ended 31 December 2018. See Note E1 for details. Also, see below for a movement of the related party unit trusts during the half year.

C3 Financial assets (continued)

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

	31 December 2018 $'000
Related party unit trusts carried at fair value through profit and loss	
Opening balance	**228,109**
Investment purchases	**119,426**
Return of investment	**(2,921)**
Fair value gain/(loss)	**2,365**
Carrying value transferred to equity accounted investments	**(333,760)**
	13,219

(b) Loans receivable from related parties

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

	31 December 2018 $	30 June 2018 $
Centuria 80 Grenfell Street Fund	**-**	5,865,000

C4 Investment properties held for sale

In June 2018, the Group decided to sell the investment properties within Centuria Retail Fund. Windsor Marketplace, Windsor NSW was sold during December 2018, however City Centre Plaza Rockhampton QLD was taken off the market and is no longer held for sale and has been reclassified as an investment property.

Property	31 December 2018 $'000	30 June 2018 $'000
City Centre Plaza, Rockhampton Qld	**-**	40,000
Windsor Marketplace, Windsor NSW	**-**	23,400
Total fair value	**-**	63,400

The valuation techniques to determine the fair value of investment properties held for sale are the same as the valuation techniques of investment properties described in Note C5(a).

C5 Investment properties

	31 December 2018 $'000	30 June 2018 $'000
Opening balance	**147,100**	257,100
Capital improvements and associated costs	**116**	3,985
Gain/(loss) on fair value	**19**	(3,041)
Change in deferred rent and lease incentives	**15**	2,456
Deconsolidation of Havelock House Fund	**-**	(28,000)
Sale of investment property	**-**	(22,000)
Investment properties reclassified as held for sale	**-**	(63,400)
Held for sale reclassified as investment properties	**33,000**	-
Closing balance^	**180,250**	147,100

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $9,402,000 (30 June 2018: $9,387,000).

Property	31 December 2018 $'000	30 June 2018 $'000	31 December 2018 Capitalisation rate %	31 December 2018 Discount rate %	31 December 2018 valuer
111 St George Terrace, Perth WA	**147,250**	147,100	**7.00%**	**7.25%**	**Savills**
City Centre Plaza, Rockhampton Qld	**33,000**	-	**8.25%**	**8.50%**	**Urbis**
Total fair value	**180,250**	147,100			

Key estimate and judgements

(a) Valuation techniques and significant unobservable inputs

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

The valuations were prepared by considering the following valuation methodologies:

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

C5 Investment properties (continued)

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

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 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).

C6 Intangible assets

	31 December 2018 $'000	30 June 2018 $'000
Goodwill	**65,535**	65,535
Indefinite life management rights	**92,128**	92,128
	157,663	157,663

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.

C7 Payables

	31 December 2018 $'000	30 June 2018 $'000
Sundry creditors (i)	**10,649**	10,880
Dividend/distribution payable	**16,298**	12,813
Accrued expenses	**9,008**	8,712
	35,955	32,405

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

C8 Borrowings

	Notes	31 December 2018 $'000	30 June 2018 $'000
Fixed rate secured notes	C8(a)	**128,000**	83,000
Floating rate secured notes	C8(a)	**75,000**	40,000
Short-term facility	C8(b)	**20,400**	-
Reverse mortgage bill facilities and notes	C8(c)	**8,342**	8,429
Bank loans in Controlled Property Funds	C8(d)	**94,292**	115,758
Borrowing costs capitalised		**(2,845)**	(1,448)
		323,189	245,739

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

(a) Secured notes

The Group issued Tranche 1 of secured corporate notes to the value of $100,000,000 on 21 April 2017. This consisted of an issue of $40,000,000 floating rate secured notes and $60,000,000 7% fixed rate secured notes. The Group issued Tranche 2 to the value of $23,000,000 7% fixed rate secured notes on 11 September 2017. These notes mature on 21 April 2021 and are secured against assets within certain subsidiaries of Centuria Capital Fund.

The Group issued Tranche 3 of secured corporate notes to the value of $80,000,000 on 22 October 2018. This consisted of an issue of $35,000,000 floating rate secured notes and $45,000,000 6.5% fixed rate secured notes. These notes mature on 21 April 2023 and are secured against assets within certain subsidiaries of Centuria Capital Fund.

(b) Short-term facility (secured)

The Group has a short-term bridging facility with National Australia Bank. The facility limit is $75,000,000 and expires on 31 May 2019.

	31 December 2018 $'000	30 June 2018 $'000
Total facility available	**75,000**	-
Amount drawn down	**(20,400)**	-
Unused facility available at the end of the period	**54,600**	-

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

As at 31 December 2018, the Group had $8,342,057 (30 June 2018: $8,429,208) non-recourse notes on issue to ANZ Bank, secured over the remaining reverse mortgages held in Senex Warehouse Trust No.1 (a subsidiary of the Group) currently due to mature on 30 September 2019.

The facility limit is $9,400,000 (30 June 2018: $10,000,000) and is reassessed every 6 to 12 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.

	31 December 2018 $'000	30 June 2018 $'000
Facility	**9,400**	10,000
Amount used at reporting date	**(8,342)**	(8,429)
Amount unused at reporting date	**1,058**	1,571

C8 Borrowings (continued)

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

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

Fund	Current/ non-current classification	Maturity date	Facility limit $'000	Funds available $'000	Draw down $'000	Borrowing costs $'000	Total $'000
31 December 2018							
Centuria 111 St Georges Terrace Fund	Current	30 June 2019	83,800	4,320	79,480	(120)	**79,360**
Centuria Retail Fund	Current	1 March 2019*	14,938	-	14,938	(6)	**14,932**
							94,292
30 June 2018							
Centuria 111 St Georges Terrace Fund	Current	30 June 2019	83,800	4,320	79,480	(130)	79,350
Centuria Retail Fund	Current	31 July 2018	37,400	992	36,408	-	36,408
							115,758

* The current debt facility for the Centuria Retail Fund matures on 1 March 2019. The negotiations to extend the debt facility are in final stages with the financier and longer term extension of the facility is expected to be finalised prior to the current expiry.

C9 Contributed equity

Centuria Capital Limited	**31 December 2018 No. of securities**	**31 December 2018 $'000**	30 June 2018 No. of securities	30 June 2018 $'000
Balance at beginning of the period	**304,793,174**	**98,770**	229,815,736	77,323
Equity based payment	**1,673,470**	**966**	875,401	535
Stapled securities issued	**77,016,505**	**29,425**	74,102,037	21,494
Cost of equity raising	**-**	**(947)**	-	(582)
Balance at end of period	**383,483,149**	**128,214**	304,793,174	98,770

Centuria Capital Fund (non-controlling interests)	**31 December 2018 No. of securities**	**31 December 2018 $'000**	30 June 2018 No. of securities	30 June 2018 $'000
Balance at beginning of the period	**304,793,174**	**244,930**	229,815,736	170,672
Equity based payment	**1,673,470**	**-**	875,401	-
Stapled securities issued	**77,016,505**	**70,694**	74,102,037	77,146
Cost of equity raising	**-**	**(2,128)**	-	(2,888)
Balance at end of the period	**383,483,149**	**313,496**	304,793,174	244,930

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.

C10 Commitments and contingencies

(a) Contingencies

The Group has cash-backed bank guarantees of $532,304 for commercial leases with respect to its Sydney and Melbourne office premises as at 31 December 2018. On 2 January 2019, the cash-backed bank guarantees increased from $532,204 to $3,655,237 to take into account the new lease the Group has signed for Sydney office premises.

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.

D Cash flows

D1 Operating segment cash flows [(i)]

For the half year ended 31 December 2018

	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities		
Management fees received	**24,850**	31,010
Performance fees received	**-**	25,830
Distributions received	**11,536**	5,631
Interest received	**531**	749
Other income received	**647**	421
Payments to suppliers and employees	**(29,279)**	(24,659)
Income tax paid	**(555)**	(6,670)
Interest paid	**(5,145)**	(4,116)
Net cash provided by operating activities	**2,585**	28,196
Cash flows from investing activities		
Repayment of loans by related parties	**5,865**	2,000
Collections from reverse mortgage holders	**411**	712
Purchase of investments in related parties	**(113,579)**	(97,732)
Purchase of other investments	**(69,462)**	(52,723)
Payments for plant and equipment	**(402)**	(213)
Loans provided to other parties	**-**	(25,980)
Cash contribution to related party	**(20,000)**	-
Purchase of equity accounted investments	**(20,838)**	-
Proceeds from sale of related party investments	**1,783**	47,167
Net cash used in investing activities	**(216,222)**	(126,769)
Cash flows from financing activities		
Proceeds from issue of securities	**100,119**	98,639
Proceeds from borrowings	**100,400**	27,375
Repayment of borrowings	**(87)**	(203)
Equity raising costs paid	**(3,070)**	(3,692)
Distributions paid	**(12,497)**	(11,814)
Capitalised borrowing costs paid	**(1,724)**	(441)
Net cash provided by financing activities	**183,141**	109,864
Net (decrease)/increase in operating cash and cash equivalents	**(30,496)**	11,291
Cash and cash equivalents at the beginning of the period	**76,389**	55,734
Cash and cash equivalents at the end of the period	**45,893**	67,025

(i) The operating segment cash flows support the segment note disclosures of the Centuria Capital Limited and provide details in relation to the Operating Segment cash flows performance of the Group. The Operating Segment cash flows exclude the impact of cash flows attributable to Benefit Funds and Controlled Property Funds. Refer to page 10 of the consolidated interim financial statements for the full statutory cash flow statement of the Group.

E Group Structure

E1 Interests in associates

During the half year, the Group's investment in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) exceeded 20% and significant influence was established. As a result, these investment which were previously recognised as financial assets at fair value are now accounted for using the equity method.

Set out below are the associates of the Group as at 31 December 2018 which, in the opinion of the Directors, are material to the Group and are accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Group. The country of incorporation or registration is Australia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	**% of ownership interest**		**Principal activity**	**Quoted fair value**	**Carrying amount**
	31 December 2018 %	30 June 2018 %		**31 December 2018 $'000**	**31 December 2018 $'000**
Centuria Metropolitan REIT	**20.76**	-	Property investment	**175,299**	**201,802**
Centuria Industrial REIT	**24.15**	-	Property investment	**176,547**	**176,020**
Total equity accounted investments				**351,846**	**377,822**

(a) Commitments and contingent liabilities in respect of associates

The associates do not have any commitments or contingent liabilities as at 31 December 2018.

E1 Interests in associates (continued)

(b) Summarised financial information for associates

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

	Centuria Metropolitan REIT	Centuria Industrial REIT	Total
Summarised balance sheet	**31 December 2018 $'000**	**31 December 2018 $'000**	**31 December 2018 $'000**
Cash and cash equivalents	19,192	25,468	44,660
Investment properties held for sale	24,220	-	24,220
Other current assets	6,750	6,509	13,259
Total current assets	50,162	31,977	82,139
Investment properties	1,376,350	1,154,650	2,531,000
Total tangible non-current assets	1,376,350	1,154,650	2,531,000
Other current liabilities	30,304	23,786	54,090
Total current liabilities	30,304	23,786	54,090
Borrowings	512,875	453,056	965,931
Other non-current liabilities	2,989	691	3,680
Total non-current liabilities	515,864	453,747	969,611
Net tangible assets	880,345	709,094	1,589,439
Group share in %	20.76%	24.15%	
Group's share in	182,760	171,246	354,006
Goodwill	19,042	4,774	23,816
Carrying amount	201,802	176,020	377,822

Movements in carrying amounts of equity accounted investments			
Opening balance	-	-	-
Carrying value transferred from financial assets	179,736	154,024	333,760
Investment	20,000	21,046	41,046
Share of net profit after tax	5,289	6,528	11,817
Distributions received/receivable	(3,223)	(5,578)	(8,801)
Closing balance	201,802	176,020	377,822

E1 Interests in associates (continued)

(b) Summarised financial information for associates (continued)

Summarised statement of comprehensive income for six months	Centuria Metropolitan REIT 31 December 2018 $'000	Centuria Industrial REIT 31 December 2018 $'000	Total 31 December 2018 $'000
Revenue	46,844	44,149	90,993
Interest income	253	112	365
Other income	-	397	397
Net (loss)/gain on fair value of investment properties	(8,406)	30,069	21,663
Loss on fair value of derivative financial instruments	(2,561)	-	(2,561)
Finance costs	(6,354)	(9,405)	(15,759)
Other expenses	(15,121)	(19,216)	(34,337)
Profit from continuing operations	14,655	46,106	60,761
Profit for the period	14,655	46,106	60,761
Other comprehensive income	-	-	-
Total comprehensive income	14,655	46,106	60,761

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

F Other

F1 Fair value of financial instruments

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

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

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

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

31 December 2018	**Measurement basis**	**Fair value hierarchy**	**Carrying amount $'000**	**Fair value $'000**
Financial assets				
Cash and cash equivalents	**Amortised cost**	**Level 1**	**67,086**	**67,086**
Receivables	**Amortised cost**	**Level 2**	**35,164**	**35,164**
Financial assets	**Fair value**	**Level 1**	**406,596**	**406,596**
Financial assets	**Fair value**	**Level 2**	**30,772**	**30,772**
Financial assets - mortgage backed assets	**Fair value**	**Level 3**	**1,215**	**1,215**
Reverse mortgages receivables	**Fair value**	**Level 3**	**45,923**	**45,923**
			586,756	**586,756**
Financial liabilities				
Payables	**Amortised cost**	**Level 2**	**35,955**	**95,955**
Liability to 360 Capital Group	**Amortised cost**	**Level 2**	**40,168**	**40,168**
Benefit Funds policy holders' liability	**Amortised cost**	**Level 2**	**335,633**	**335,633**
Borrowings (net of borrowing costs)	**Amortised cost**	**Level 2**	**323,189**	**326,796**
Interest rate swaps - controlled property funds	**Fair value**	**Level 2**	**357**	**357**
Interest rate swaps - reverse mortgage fixed-for-life	**Fair value**	**Level 3**	**22,524**	**22,524**
			757,826	**821,433**

30 June 2018	**Measurement basis**	**Fair value hierarchy**	**Carrying amount $'000**	**Fair value $'000**
Financial assets				
Cash and cash equivalents	Amortised cost	Level 1	101,914	101,914
Receivables	Amortised cost	Level 2	21,164	21,164
Financial assets	Fair value	Level 1	495,837	495,837
Financial assets	Fair value	Level 2	99,721	99,721
Financial assets - mortgage backed assets	Fair value	Level 3	1,215	1,215
Reverse mortgages receivables	Fair value	Level 3	48,059	48,059
			767,910	767,910

F1 Fair value of financial instruments (continued)

30 June 2018	Measurement basis	Fair value hierarchy	Carrying amount $'000	Fair value $'000
Financial liabilities				
Payables	Amortised cost	Level 2	32,405	32,405
Liability to 360 Capital Group	Amortised cost	Level 2	41,161	41,161
Benefit Funds policy holders' liability	Amortised cost	Level 2	349,677	349,677
Borrowings (net of borrowing costs)	Amortised cost	Level 2	245,739	246,854
Interest rate swaps - controlled property funds	Fair value	Level 2	472	472
Interest rate swaps - reverse mortgage fixed-for-life	Fair value	Level 3	22,939	22,939
Total			692,393	693,508

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

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

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

Half year ended 31 December 2018	Other mortgage backed assets at fair value $'000	Reverse mortgages fair value $'000	Fixed-for-life interest rate swaps $'000	Total $'000
Balance at 1 July 2018	**1,215**	**48,059**	**(22,939)**	**26,335**
Loan repaid	**-**	**(555)**	**67**	**(488)**
Accrued interest	**-**	**1,425**	**(737)**	**688**
Attributable to interest rate risk	**-**	**302**	**(302)**	**-**
Attributable to credit risk	**-**	**(3,308)**	**1,387**	**(1,921)**
Balance at 31 December 2018	**1,215**	**45,923**	**(22,524)**	**24,614**

Year ended 30 June 2018	Other mortgage backed assets at fair value $'000	Reverse mortgages fair value $'000	Fixed-for-life interest rate swaps $'000	Total $'000
Balance at 1 July 2017	1,215	46,187	(18,191)	29,211
Loan repaid	-	(1,695)	471	(1,224)
Accrued interest	-	2,453	(1,466)	987
Attributable to interest rate risk	-	1,114	(1,114)	-
Attributable to credit risk	-	-	(2,639)	(2,639)
Balance at 30 June 2018	1,215	48,059	(22,939)	26,335

F1 Fair value of financial instruments (continued)

Key estimates and judgements

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

Assumptions and inputs used for valuation of reverse mortgage loan receivables:
• The loan interest compounding period is the expected remaining life of the borrower;
• Mortality rates for males and females have been assumed to be consistent with 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 exceeds the property growth rate will not be recovered after that point of time;
• For 31 December 2018 valuation, the property growth rates are -10% for FY2019, -5% for FY2020, then reverted back to 3% flat rate from FY21 onwards;
• Discount factors are calculated based on the market quoted long term rates on 31 December 2018;
• The 1% flat credit risk premium, reflecting the portfolio default profile, is added to the monthly cash flow discount factors to discount future cash flows generated by the reverse mortgage loans.

Assumptions and input for fixed -for-life interest rate swaps:
• Mortality rates for males and females have been assumed to be consistent with 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;
• 46% of the residential mortgage loan portfolio consists of joint lives;
• Discount factors are calculated based on the market quoted long term rates on 31 December 2018;
• The 1.893% flat credit risk premium, reflecting the business default profile, is added to the monthly cash flow discount factors to discount future cash flows generated by the reverse mortgage loans.

F2 New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for period reporting periods and have not been early adopted by the Group. The Group assessment of the impact of these new standards and interpretations is set out below.

(a) AASB 16 Leases

(i) *Nature of change*

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

The accounting for lessors will not significantly change.

(ii) *Impact*

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

F2 New Accounting Standards and Interpretations (continued)

(a) AASB 16 Leases (continued)

(iii) *Mandatory application date*

Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Therefore mandatory application to the Group would be year ending 30 June 2020.

At this stage, the Group does not intend to adopt AASB 16 before its mandatory date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

F3 Events subsequent to the reporting date

On 9 January 2019, the Group exercised the remaining options outstanding to acquire 21,498,990 units in Centuria Retail Fund from 360 Capital Limited at an exercise price of $0.91. The Group owns 49.99% of Centuria Retail Fund after this acquisition.

Other than the above, there has not arisen in the interval between 31 December 2018 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 years.

Directors' declaration

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

(a) the consolidated interim financial statements and notes set out on pages 5 to 38 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date, and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Mr Garry S. Charny
Director
Sydney

Mr Peter J. Done
Director
Sydney

Sydney
13 February 2019

Independent Auditor's Review Report

To the stapled security holders of Centuria Capital Group

Conclusion

We have reviewed the accompanying ***Interim 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***).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Centuria Capital Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001.*

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

- Consolidated interim statement of financial position as at 31 December 2018.
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date.
- Notes A1 to F3 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' declaration.

The ***Stapled Group*** comprises Centuria Capital Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year and Centuria Capital Fund and the entities it controlled at the Half-year end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

The Directors of the Company are responsible for:

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Stapled Group's financial position as at 31 December 2018 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Capital Group, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Nigel Virgo

Partner

Sydney

13 February 2019

Centuria Capital Fund

Interim Financial Report
for the half year ended 31 December 2018

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

Centuria Capital Fund
Interim Financial Report - 31 December 2018

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These consolidated interim financial statements are the interim financial statements of the consolidated entity consisting of Centuria Capital Fund and its subsidiaries. The interim financial statements are presented in the Australian currency.

Centuria Capital Fund is a trust, registered and domiciled in Australia. Its registered office and principal place of business is:

> Centuria Capital Fund
> Level 39, 100 Miller Street 100 Miler Street
> North Sydney NSW 2060

The consolidated interim financial statements were authorised for issue by the Directors of the Responsible Entity on 13 February 2019.

Directors' report

The directors of Centuria Funds Management Limited (the 'Company') as the Responsible Entity for Centuria Capital Fund (the 'Fund') present their interim report together with the consolidated interim financial statements of the Fund and its controlled entities (the 'Group') for the half year ended 31 December 2018 and the auditor's review report thereon.

Directors

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

Director	Role	Appointment Date
Mr Garry S Charny	Independent Non-Executive Director and Chairman	8 August 2016
Mr Peter J. Done	Independent Non-Executive Director	8 August 2016
Mr John R. Slater	Independent Non-Executive Director	8 August 2016
Ms Susan Wheeldon-Steele	Independent Non-Executive Director	31 August 2016
Mr John E. McBain	Executive Director and Chief Executive Officer	8 August 2016
Mr Jason C. Huljich	Executive Director	8 August 2016
Mr Nicholas R. Collishaw	Non-Executive Director	8 August 2016

Operating and financial review

The Group's profit from continuing operations for the half year ended 31 December 2018 was $17,915,000 (half year ended 31 December 2017: profit of $15,379,000).

Earnings per security (EPS)

	31 December 2018	31 December 2017
Basic EPS (cents/security)	**5.1**	5.1
Diluted EPS (cents/security)	**4.8**	4.6

Distributions

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

Distributions paid during the half year	Cents per security	Total amount $'000	Date paid/payable
Final 2018 distribution	3.10	9,499	27 July 2018
Distributions declared during the half year			
Interim 2019 distribution	3.40	13,038	4 February 2019
Total amount	**6.50**	**22,537**	

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

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

Mr Garry S Charny
Director

Mr Peter J. Done
Director

Sydney
13 February 2019

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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nigel Virgo
Partner
Sydney
13 February 2019

Centuria Capital Fund

Interim financial report
31 December 2018

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Consolidated interim statement of comprehensive income

For the half year ended 31 December 2018

	Notes	**31 December 2018 $'000**	31 December 2017 $'000
Revenue	B1	**21,367**	23,719
Share of net profit of equity accounted investments	D1	**11,634**	-
Expenses	B2	**(9,639)**	(5,453)
Fair value movements of financial instruments and property		**3,415**	3,999
Finance costs	B3	**(8,862)**	(6,886)
Profit after tax		**17,915**	15,379
Profit is attributable to:			
Centuria Capital Fund		**17,109**	12,656
Non-controlling interests		**806**	2,723
Profit after tax		**17,915**	15,379
Other comprehensive income		**-**	-
Total comprehensive income for the period		**17,915**	15,379
Total comprehensive income for the period is attributable to:			
Centuria Capital Fund		**17,109**	12,656
Non-controlling interests		**806**	2,723
Total comprehensive income		**17,915**	15,379
Total comprehensive income for the period is attributable to unitholders of Centuria Capital Fund		**17,109**	12,656
		Cents	Cents
Earnings per Centuria Capital Fund unit:			
Basic (cents per unit)		**5.1**	5.1
Diluted (cents per unit)		**4.8**	4.6

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

Consolidated interim balance sheet
As at 31 December 2018

	Notes	**31 December 2018 $'000**	30 June 2018 $'000
Assets			
Cash and cash equivalents		**15,247**	16,909
Receivables	C1	**10,756**	5,987
Financial assets at fair value	C2	**238,067**	365,732
Investment properties held for sale	C3	**-**	63,400
Equity accounted investments	D1	**321,257**	-
Investment properties	C4	**180,250**	147,100
Total assets		**765,577**	599,128
Liabilities			
Payables	C5	**36,808**	18,437
Liability to 360 Capital Group		**40,168**	41,161
Borrowings	C6	**316,847**	239,310
Interest rate swaps at fair value		**357**	472
Total liabilities		**394,180**	299,380
Net assets		**371,397**	299,748
Equity			
Equity attributable to Centuria Capital Fund			
Contributed equity	C7	**313,499**	244,930
Retained earnings		**9,589**	5,518
Total equity attributable to Centuria Capital Fund		**323,088**	250,448
Equity attributable to external non-controlling interests			
Contributed equity		**32,927**	32,927
Retained earnings		**15,382**	16,373
Total equity attributable to external non-controlling interests		**48,309**	49,300
Total equity		**371,397**	299,748

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

Consolidated interim statement of changes in equity

For the half year ended 31 December 2018	Centuria Capital Fund			Non-controlling interests			
	Contributed equity $'000	Retained earnings $'000	Equity attributable to Centuria Capital Fund unitholders $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total equity $'000
Balance at 1 July 2018	244,930	5,518	250,448	32,927	16,373	49,300	299,748
Profit for the period	-	17,109	17,109	-	806	806	17,915
Total comprehensive income for the period	**-**	**17,109**	**17,109**	**-**	**806**	**806**	**17,915**
Dividends and distributions paid/accrued	-	(13,038)	(13,038)	-	(1,797)	(1,797)	(14,835)
Stapled securities issued	70,696	-	70,696	-	-	-	70,696
Cost of equity raising	(2,127)	-	(2,127)	-	-	-	(2,127)
Balance at 31 December 2018	**313,499**	**9,589**	**323,088**	**32,927**	**15,382**	**48,309**	**371,397**

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

Consolidated interim statement of changes in equity

For the period ended 31 December 2017	Centuria Capital Fund			Non-controlling interests			
	Contributed equity $'000	Retained earnings $'000	Equity attributable to Centuria Capital Fund unitholders $'000	Contributed equity $'000	Retained earnings $'000	Total $'000	Total equity $'000
Balance at 1 July 2017	170,672	(7,821)	162,851	45,367	29,957	75,324	238,175
Profit for the period	-	12,656	12,656	-	2,723	2,723	15,379
Total comprehensive income for the period	**-**	**12,656**	**12,656**	**-**	**2,723**	**2,723**	**15,379**
Dividends and distributions paid/accrued	-	(7,314)	(7,314)	-	(3,601)	(3,601)	(10,915)
Cost of equity raising	(2,875)	-	(2,875)	-	-	-	(2,875)
Stapled securities issued	77,146	-	77,146	-	-	-	77,146
Deconsolidation of controlled property funds	-	(152)	(152)	(10,585)	(5,061)	(15,646)	(15,798)
Balance at 31 December 2017	**244,943**	**(2,631)**	**242,312**	**34,782**	**24,018**	**58,800**	**301,112**

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

Consolidated interim statement of cash flows
For the half year ended 31 December 2018

	31 December 2018 $'000	31 December 2017 $'000
Cash flows from operating activities		
Rent received	**11,138**	12,281
Distributions received	**9,604**	5,649
Interest received	**9,873**	538
Other income	**582**	110
Payments to suppliers	**(9,032)**	(7,540)
Interest paid	**(7,628)**	(6,354)
Net cash provided by operating activities	**14,537**	4,684
Cash flows from investing activities		
Payments in relation to investment properties	**-**	(4,898)
Repayment of loans by related parties	**5,865**	5,605
Purchase of other investments	**(69,462)**	(49,723)
Purchase of investments in related parties	**(113,389)**	(94,237)
Proceeds from sale of related party investments	**7,283**	47,167
Deconsolidation of controlled property funds cash balance	**-**	(766)
Loans provided to other parties	**-**	(17,400)
Sale of investment property	**22,600**	-
Purchase of equity accounted investments	**(20,428)**	-
Loans from related parties	**12,784**	-
Proceeds from the sale of equity accounted investments	**5,500**	-
Net cash used in investing activities	**(149,247)**	(114,252)
Cash flows from financing activities		
Proceeds from borrowings	**100,400**	31,447
Repayment of borrowings	**(21,470)**	-
Capitalised borrowing costs paid	**(1,730)**	(447)
Distributions paid to unitholders of Centuria Capital Fund	**(9,449)**	(6,361)
Distributions paid to non-controlling interests	**(3,269)**	(3,601)
Proceeds from issues of units to unitholders of Centuria Capital Fund	**70,694**	77,146
Equity raising costs paid	**(2,128)**	(2,875)
Net cash provided by financing activities	**133,048**	95,309
Net (decrease) in cash and cash equivalents	**(1,662)**	(14,259)
Cash and cash equivalents at the beginning of the financial period	**16,909**	36,775
Cash and cash equivalents at end of period	**15,247**	22,516

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

A About the report

A1 General information

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

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

Statement of compliance

The consolidated interim financial statements for the half year ended 31 December 2018 have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

The consolidated interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should read in conjunction with the Group's annual consolidated financial statements for the year ended 30 June 2018 and any public announcements made by the Centuria Capital Group during the half year reporting period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

Basis of preparation

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

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

A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated interim financial statements are consistent with those adopted in the previous financial year ended 30 June 2018 with the exception of the adoption of new accounting standards outlined below or in the relevant notes to the consolidated interim financial statements.

When the presentation or classification of items in the consolidated interim financial statements has been amended, comparative amounts are also reclassified, unless it is impractical.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events are reported.

The Group has now applied equity accounting to its investments in Centuria Metropolitan REIT (CMA) and Centuria Industrial REIT (CIP) as the Group's ownership in these entities exceeded 20% during the period (either directly through the Group or through entities within Centuria Capital Group) and significant influence was established. These investments were previously recognised as financial assets at fair value. Details of the accounting policy on equity accounted investments are included in Note D1.

The Group has applied new accounting standards and their impact is disclosed in Note A3.

A3 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 9 Financial instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

(i) *Classification – Financial assets*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

On transition to AASB 9, the new classification requirements do not have a material impact on the Group's accounting for all receivables and financial assets (which are already carried at fair value).

(ii) *Impairment – Receivables*

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model applies to the Group's receivables which continue to be measured at amortised cost.

On transition to AASB 9, the new impairment model does not have a material impact on the Group's equity upon as at 1 July 2018.

(iii) *Hedge accounting*

The new hedge accounting rules generally allow for more hedge relationships to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have a significant impact as a result of the hedging changes on transition on 1 July 2018.

(iv) *Transition*

Changes in accounting policies resulting from the adoption of AASB 9 have been applied retrospectively, however as there is no material impact on carrying amounts of financial assets and financial liabilities, there is no transitional implications on the Group's equity at 1 July 2018 nor it's comparatives.

(v) *Accounting policies*

Policy application from 1 July 2018

AASB 9 contains three principal classification categories for financial assets:

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

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

A3 Adoption of new accounting standards and interpretations (continued)

(a) AASB 9 Financial instruments (continued)

(v) Accounting policies (continued)

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 ECL model.

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 are the ECLs that 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.

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.

(b) AASB 15 Revenue from Contracts with Customers

AASB 15 Revenue from customers applies to all contracts with customers to deliver goods or services as part of the entity’s ordinary course of business excluding insurance contracts, financial instruments and leases which are addressed by other standards. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

AASB 15 replaces the considerations of risks and rewards under AASB 118 to the concept of when control passes to the customer as the trigger point for the recognition of revenue.

Rental income, interest income, distribution and dividend income and fair value movements in investment properties are excluded from the scope of this standard.

The Group has adopted AASB 15 using the cumulative effect method and as a result, there has been no impact on the Group's previously reported financial position.

(i) Impact

In accordance with AASB 15, based on the Group’s assessment of when performance obligations are satisfied there is no change to the classification, measurement or timing of revenue recognition when comparing to the previous accounting policy, other than the change in terminology.

A3 Adoption of new accounting standards and interpretations (continued)

(b) AASB 15 Revenue from Contracts with Customers (continued)

(ii) *Accounting policies*

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

There's been no change to the Group's revenue recognition as a result of the change in accounting policy due to adoption of the new revenue standard.

A4 Use of judgements and estimates

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those applied in the consolidated financial statements as at and for the year ended 30 June 2018.

B Business performance

B1 Revenue

	31 December 2018 $'000	31 December 2017 $'000
Rent	**8,028**	8,969
Recoverable outgoings	**2,108**	2,270
Distribution revenue	**6,121**	8,632
Interest revenue	**4,381**	3,741
Other income	**729**	107
	21,367	23,719

(a) Transactions with related parties

	31 December 2018 $	31 December 2017 $
Distributions from Property Funds managed by Centuria	**1,969,768**	6,798,452
Interest income on loan to Centuria Finance Pty Limited	**4,278,824**	3,524,857
Interest income on loans to Property Funds managed by Centuria	**36,958**	-
Distributions and interest from Debt Funds managed by Centuria	**78,000**	-
Sub-underwriting fees in relation to listed Property funds managed by Centuria	**647,400**	-
	7,010,950	10,323,309

B2 Expenses

	31 December 2018 $'000	31 December 2017 $'000
Consulting and professional fees	**88**	202
Property outgoings and fund expenses	**6,611**	5,222
Corporate restructure and transaction costs	**2,917**	-
Other expenses	**23**	29
	9,639	5,453

(a) Transactions with related parties

	31 December 2018 $	31 December 2017 $
Management and custodian fees paid to Centuria Property Funds No. 2 Limited	**686,800**	744,840
Management and custodian fees paid to Centuria Property Funds Limited	**66,420**	-
Management fees paid to Centuria Funds Management Limited	**100,000**	100,000
	853,220	844,840

B3 Finance costs

	31 December 2018 $'000	31 December 2017 $'000
Operating interest charges	**6,156**	4,213
Bank loans in Property Funds interest charges	**2,706**	2,673
	8,862	6,886

B4 Distributions

	31 December 2018		31 December 2017	
	Cents per unit	**Total $'000**	Cents per unit	Total $'000
Distributions paid during the half year				
Final year-end distribution	**3.10**	**9,449**	2.80	6,361
Distributions declared during the half year				
Interim distribution (i)	**3.40**	**13,038**	2.40	7,314
Total distributions paid/declared to Centuria Capital Fund unitholders (ii)	**6.50**	**22,487**	5.20	13,675

(i) The Group declared a distribution in respect of the half year ended 31 December 2018 of 3.40 cents per unit. The final distribution had a record date of 31 December 2018 and was paid on 4 February 2019. The total amount payable of $13,038,000 has been provided as a liability in these financial statements.

(ii) In addition to the dividends and distributions paid to Centuria Capital Fund unitholders, the Group paid distributions of $1,797,000 to external non-controlling Interests.

C Assets and liabilities

C1 Receivables

	31 December 2018 $'000	30 June 2018 $'000
Receivables from related parties (refer to note C1(a))	**5,705**	4,189
Other receivables	**5,051**	1,798
	10,756	5,987

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 owed by other related parties of the Group at the end of the financial period:

	31 December 2018 $	30 June 2018 $
Distribution receivable from Centuria Industrial REIT	**2,815,108**	2,346,074
Distribution receivable from Centuria Metropolitan REIT	**2,715,823**	1,250,856
Distribution receivable from Centuria Scarborough House Fund	**699**	613
Distribution receivable from Centuria Diversified Property Fund	**31,212**	28,378
Receivables from Debt Funds managed by Centuria	**142,000**	64,000
Interest receivable from Centuria 80 Grenfell Street Fund	**-**	62,799
Redemption funds receivable from Centuria Diversified Fund	**-**	435,781
	5,704,842	4,188,501

C2 Financial assets at fair value

	31 December 2018 $'000	30 June 2018 $'000
Investments in trusts and other financial assets	**136,929**	58,977
Investment in related party unit trusts (refer to Note C2(a))	**9,374**	203,091
Loans receivable from related parties (refer to Note C2(b))	**91,764**	103,664
	238,067	365,732

C2 Financial assets at fair value (continued)

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

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

	31 December 2018			30 June 2018		
	Fair value $'000	Units held	Ownership %	Fair value $'000	Units held	Ownership %
Financial assets held by the Group						
Centuria Industrial REIT*	**-**	**-**	**0%**	124,317,757	48,372,688	19.48%
Centuria Metropolitan REIT*	**-**	**-**	**0%**	68,555,158	27,643,209	11.39%
Centuria Diversified Property Fund	**7,321,651**	**5,250,001**	**14.43%**	7,050,751	5,250,001	18.88%
Centuria Scarborough House Fund	**102,826**	**102,826**	**0.22%**	102,826	102,826	0.22%
Centuria Bottleyard Fund	**27,589**	**1,630,000**	**14.17%**	1,548,500	1,630,000	14.17%
Centuria Rouse Hil Debt Fund	**1,921,863**	**1,921,863**	**18.20%**	1,515,527	1,515,527	18.20%
	9,373,929			203,090,519		

* These investments which were previously held as related party investments are equity accounted for the half year ended 31 December 2018. See Note D1 for details. Also, see below for a movement of the related party unit trusts during the half year.

C2 Financial assets at fair value (continued)

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

	31 December 2018 $'000
Related party unit trusts carried at fair vale through profit and loss	
Opening balance	**203,091**
Investment purchases	**113,460**
Return of investment	**(1,521)**
Fair value gain/(loss)	**(2,942)**
Carrying value transferred to equity accounted investments	**(302,714)**
	9,374

(b) Loans receivable from related parties

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

	31 December 2018 $	30 June 2018 $
Centuria Finance Pty Limited	**91,764,238**	97,799,425
Centuria 80 Grenfell Street Fund	**-**	5,865,000
	91,764,238	103,664,425

C3 Investment properties held for sale

In June 2018, the Group decided to sell the investment properties within Centuria Retail Fund. Windsor Marketplace, Windsor NSW was sold during December 2018, however City Centre Plaza Rockhampton QLD was taken off the market and is no longer held for sale and has been reclassified as an investment property.

Property	**31 December 2018 $'000**	30 June 2018 $'000
City Centre Plaza, Rockhampton Qld	**-**	40,000
Windsor Marketplace, Windsor NSW	**-**	23,400
Total fair value	**-**	63,400

The valuation techniques to determine the fair value of investment properties held for sale are the same as the valuation techniques of investment properties described in Note C4(a).

C4 Investment properties

	31 December 2018 $'000	30 June 2018 $'000
Opening balance	**147,100**	257,100
Capital improvements and associated costs	**116**	3,985
Gain/(loss) on fair value	**19**	(3,041)
Change in deferred rent and lease incentives	**15**	2,456
Deconsolidation of Havelock House Fund	**-**	(28,000)
Sale of investment property	**-**	(22,000)
Investment properties reclassified as held for sale	**-**	(63,400)
Held for sale reclassified as investment properties	**33,000**	-
Closing balance^	**180,250**	147,100

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $9,402,000 (30 June 2018: $9,387,000).

Property	31 December 2018 $'000	30 June 2018 $'000	31 December 2018 Cap rate %	31 December 2018 Discount rate %	31 December 2018 valuer
111 St George Terrace, Perth WA	**147,250**	147,100	**7.00%**	**7.25%**	**Savills**
City Centre Plaza, Rockhampton Qld	**33,000**	-	**8.25%**	**8.50%**	**Urbis**
Total fair value	**180,250**	147,100			

Key estimate and judgements

(a) Valuation techniques and significant unobservable inputs

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

The valuations were prepared by considering the following valuation methodologies:

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

C4 Investment properties (continued)

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

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 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).

C5 Payables

	31 December 2018 $'000	30 June 2018 $'000
Sundry creditors [i]	**20,550**	8,069
Distribution Payable	**13,038**	9,959
Accrued expenses	**3,220**	409
	36,808	18,437

[i] Sundry creditors are non-interest bearing liabilities, payable on commercial terms of 7 to 60 days.

(b) Payables to related parties

The following amounts are payable to related parties of the Group at the end of the financial period:

	31 December 2018 $	30 June 2018 $
Intercompany payable to Corporate entities within Centuria Capital Group	**12,792,516**	-
	12,792,516	-

C6 Borrowings

	Notes	31 December 2018 $'000	30 June 2018 $'000
Fixed rate secured notes	C6(a)	**130,000**	85,000
Floating rate secured notes	C6(a)	**75,000**	40,000
Short-term facility (secured)	C6(b)	**20,400**	-
Bank loans in Property Funds	C6(c)	**94,292**	115,758
Borrowing costs capitalised		**(2,845)**	(1,448)
		316,847	239,310

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

(a) Corporate notes (secured)

The Group issued Tranche 1 of secured corporate notes to the value of $100,000,000 on 21 April 2017. This consisted of an issue of $40,000,000 floating rate secured notes and $60,000,000 7% fixed rate secured notes. The Group issued Tranche 2 to the value of $25,000,000 7% fixed rate secured notes on 11 September 2017. These notes mature on 21 April 2021 and are secured against assets within certain subsidiaries of the Group.

The Group issued Tranche 3 of secured corporate notes to the value of $80,000,000 on 22 October 2018. This consisted of an issue of $35,000,000 floating rate secured notes and $45,000,000 6.5% fixed rate secured notes. These notes mature on 21 April 2023 and are secured against assets within certain subsidiaries of the Group.

(b) Short-term (secured)

The Group has a short-term bridging facility with National Australia Bank. The facility limit is $75,000,000 and expires on 31 May 2019.

	31 December 2018 $'000	30 June 2018 $'000
Total facility available	**75,000**	-
Amount drawn down	**(20,400)**	-
Unused facility available at the end of the period	**54,600**	-

C6 Borrowings (continued)

(c) Bank loans - Property Funds (secured)

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

Fund	Current/non-current classification	Maturity date	Facility limit $'000	Funds available $'000	Draw down $'000	Borrowing costs $'000	Total $'000
31 December 2018							
Centuria 111 St Georges Terrace Fund	Current	30 June 2019	83,800	4,320	79,480	(120)	**79,360**
Centuria Retail Fund	Current	1 March 2019*	14,938	-	14,938	(6)	**14,932**
							94,292
30 June 2018							
Centuria 111 St Georges Terrace Fund	Current	30 June 2019	83,800	4,320	79,480	(130)	79,350
Centuria Retail Fund	Current	31 July 2018	37,400	992	36,408	-	36,408
							115,758

* The current debt facility for the Centuria Retail Fund matures on 1 March 2019. The negotiations to extend the debt facility are in final stages with the financier and longer term extension of the facility is expected to be finalised prior to the current expiry.

C7 Contributed equity

	31 December 2018		30 June 2018	
	No. of securities	**$'000**	No. of securities	$'000
Balance at beginning of the period	**304,793,174**	**244,930**	229,815,736	170,672
Equity based payment	**1,673,470**	**-**	875,401	-
Stapled securities issued	**77,016,505**	**70,696**	74,102,037	77,146
Cost of equity raising	**-**	**(2,127)**	-	(2,888)
Balance at end of the period	**383,483,149**	**313,499**	304,793,174	244,930

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.

D Group Structure

D1 Interests in associates

During the half year, the Group's investment in Centuria Industrial REIT (CIP) exceeded 20% and reached 17.5% for Centuria Metropolitan REIT (CMA). Significant influence was established as ownership exceeded 20% either directly through the Group or through entities within Centuria Capital Group (which share the same Directors). As a result, these investment which were previously recognised as financial assets at fair value are now accounted for using the equity method.

Set out below are the associates of the Group as at 31 December 2018 which, in the opinion of the Director's, are material to the Group and are accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Group. The country of incorporation or registration is Australia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	% of ownership interest		Principal activity	Quoted fair value	Carrying amount
	31 December 2018 %	30 June 2018 %		**31 December 2018 $'000**	**31 December 2018 $'000**
Centuria Metropolitan REIT	**17.49**	-	Property investments	**147,694**	**153,979**
Centuria Industrial REIT	**22.94**	-	Property investments	**167,683**	**167,278**
Total equity accounted investments				**315,377**	**321,257**

(a) Commitments and contingent liabilities in respect of associates

The associates do not have any commitments or contingent liabilities as at 31 December 2018.

D1 Interests in associates (continued)

(b) Summarised financial information for associates

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

	Centuria Metropolitan REIT	Centuria Industrial REIT	Total
Summarised balance sheet	**31 December 2018 $000**	**31 December 2018 $000**	**31 December 2018 $000**
Cash and other cash equivalents	19,192	25,468	44,660
Investment properties held for sale	24,220	-	24,220
Other current assets	6,750	6,509	13,259
Total current assets	50,162	31,977	82,139
Investment properties	1,376,350	1,154,650	2,531,000
Total tangible non-current assets	1,376,350	1,154,650	2,531,000
Other current liabilities	30,303	23,786	54,089
Total current liabilities	30,303	23,786	54,089
Borrowings	512,875	453,056	965,931
Other non-current liabilities	2,989	691	3,680
Total non-current liabilities	515,864	453,747	969,611
Net tangible assets	880,345	709,094	1,589,439
Group share in %	17.49	22.94	
Group's share	153,979	162,676	316,655
Goodwill	-	4,602	4,602
Carrying amount	153,979	167,278	321,257
Opening balance	-	-	-
Carrying value transferred from financial assets	151,433	151,281	302,714
Disposal	-	(5,420)	(5,420)
Investment	-	20,428	20,428
Share of net profit after tax	5,262	6,372	11,634
Distributions received/receivable	(2,716)	(5,383)	(8,099)
	153,979	167,278	321,257

D1 Interests in associates (continued)

(b) Summarised financial information for associates (continued)

Summarised statement of comprehensive income for six months	Centuria Metropolitan REIT 31 December 2018 $000	Centuria Industrial REIT 31 December 2018 $000	Total 31 December 2018 $'000
Revenue	**46,844**	**44,149**	**90,993**
Interest income	**253**	**112**	**365**
Other income	**-**	**397**	**397**
Net gain on fair value of investment properties	**(8,406)**	**30,069**	**21,663**
(Loss)/gain on fair value of derivative financial instruments	**(2,561)**	**-**	**(2,561)**
Finance costs	**(6,354)**	**(9,405)**	**(15,759)**
Other expenses	**(15,121)**	**(19,216)**	**(34,337)**
Profit from continuing operations	**14,655**	**46,106**	**60,761**
Profit for the period	**14,655**	**46,106**	**60,761**
Other comprehensive income	**-**	**-**	**-**
Total comprehensive income	**14,655**	**46,106**	**60,761**

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment.

E Other

E1 Fair value of financial instruments

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

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

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

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

31 December 2018	**Measurement basis**	**Fair value hierarchy**	**Carrying amount $'000**	**Fair value $'000**
Financial assets				
Cash and cash equivalents	**Amortised cost**	**Level 1**	**15,247**	**15,247**
Receivables	**Amortised cost**	**Level 2**	**10,756**	**10,756**
Financial assets	**Fair value**	**Level 1**	**136,899**	**136,899**
Financial assets	**Fair value**	**Level 2**	**101,168**	**101,168**
			264,070	**264,070**
Financial liabilities				
Payables	**Amortised cost**	**Level 2**	**36,808**	**36,808**
Liability to 360 Capital Group	**Amortised cost**	**Level 2**	**40,168**	**40,168**
Borrowings (net of borrowing costs)	**Amortised cost**	**Level 2**	**316,847**	**320,421**
Interest rate swaps at fair value	**Fair value**	**Level 2**	**357**	**357**
			394,180	**397,754**

30 June 2018	**Measurement basis**	**Fair value hierarchy**	**Carrying amount $'000**	**Fair value $'000**
Financial assets				
Cash and cash equivalents	Amortised cost	Level 1	16,909	16,909
Receivables	Amortised cost	Level 2	5,987	5,987
Financial assets	Fair value	Level 1	252,157	252,157
Financial assets	Fair value	Level 2	113,575	113,575
			388,628	388,628
Financial liabilities				
Payables	Amortised cost	Level 2	18,437	18,437
Liability to 360 Capital Group	Amortised cost	Level 2	41,161	41,161
Borrowings (net of borrowing costs)	Amortised cost	Level 2	239,310	240,424
Interest rate swaps at fair value	Fair value	Level 2	472	472
Total			299,380	300,494

E1 Fair value of financial instruments (continued)

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

E2 New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

(a) AASB 16 Leases

(i) *Nature of change*

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

The accounting for lessors will not significantly change.

(ii) *Impact*

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments as a lessor in relation to the controlled property funds. However, the Group' has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

(iii) *Mandatory application date*

Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. Therefore mandatory application to the Group would be year ending 30 June 2020.

At this stage, the Group has not concluded whether it intends to adopt AASB 16 before its mandatory date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

E3 Events subsequent to the reporting date

On 9 January 2019, the Group exercised the remaining options outstanding to acquire 21,498,990 units in Centuria Retail Fund from 360 Capital Limited at an exercise price of $0.91. The Group owns 49.99% of Centuria Retail Fund after this acquisition.

Other than the above, there has not arisen in the interval between 31 December 2018 and the date hereof any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Fund, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Directors' declaration

In the opinion of the Directors' of Centuria Funds Management Limited as the Responsible Entity of Centuria Capital Fund:

(a) the consolidated interim financial statements and notes set out on pages 4 to 27 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and

  (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half year ended on that date, and

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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

Mr Garry S Charny
Director

Mr Peter J. Done
Director

Sydney
13 February 2019

Independent Auditor's Review Report

To the unitholders of Centuria Capital Fund

Conclusion

We have reviewed the accompanying ***Interim Financial Report*** of Centuria Capital Fund (the Fund).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of Centuria Capital Fund is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Fund's*** financial position as at 31 December 2018 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

- Consolidated interim statement of financial position as at 31 December 2018
- Consolidated interim statement of comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half-year ended on that date
- Notes A1 to E3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' declaration.

The ***Fund*** comprises Centuria Capital Fund and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Interim Financial Report

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

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

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

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund’s financial position as at 31 December 2018 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Capital Fund, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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

KPMG

Nigel Virgo

Partner

Sydney

13 February 2019