

2021

ANNUAL REPORT

for the period ended 31 March 2021

CENTURIA NZ PROPERTY FUND

Contents

2	Key information summary
3	Scheme information
4	Financial analysis
8	Unit price
9	Adjusted operating profits
10	Additional scheme information
14	Financial statements
35	Independent auditor's report

Manager's letter

Dear Investor,

During the 2021 financial year we delivered another strong performance across our portfolio of Schemes, despite the unprecedented challenges arising from the COVID-19 pandemic.

Centuria's ambition is to create one of Australasia's leading real estate Schemes management platforms, and this year we have transacted more than \$1.25 billion worth of real estate across Australia and New Zealand.

When we first announced that we would be joining forces with Centuria, we made a commitment to you that it would remain business as usual, but that the relationship would supercharge our growth strategy and provide greater access to quality investment opportunities.

Our focus has been centred around enabling long term growth for our investors. This included supporting tenants through the impacts that have arisen from COVID-19. Our focus is to continue delivering sustainable returns through strategic portfolio management and the active sourcing of new investment offerings.

Yours faithfully,



Mike Steur
Independent Chairman

Centuria Funds Management (NZ) Limited



Mark Francis
CEO and Director

Centuria Funds Management (NZ) Limited

The investment property at a prominent corner site, bounded by Anglesea Street, Thackeray Street and Tristram Street, is well located with a weighted average lease term of 3.90 years to multiple tenants. The Scheme paid distributions at a rate of \$0.03 per unit for the period (equivalent to an annualised distribution rate of \$0.06 per unit), with a payout ratio of 93% of adjusted operating profit (AOP).

The 31 March 2021 valuation of the property increased by \$1.7 million from the purchase price to \$56.7 million which has resulted in an LVR of 34.92%. We note however that a degree of caution should be applied when referencing valuations in the current economic climate.

To all our investors, you are the lifeblood of our business and we thank you for your continued association and support.

KEY INFORMATION SUMMARY

\$56.7M

FY2021 valuation

\$19.8M

FY2021 loan balance

\$0.95

Net assets per unit ¹

\$1.0256

Unit price ²

34.92%

LVR ³

3.90 years

WALE ⁴

\$0.03

Distributions per unit ⁵

5.85%

Distribution yield ⁶

Glossary of terms

- | | |
|---------------------------------|---|
| 1 Net assets per unit | <i>Equity (assets less liabilities) divided by the number of units issued. The net assets are based on the financial statements for the period ended 31 March 2021. It can be used as a tool to approximate the value of a unit before realisation costs.</i> |
| 2 Unit price | <i>The unit price is the prevailing adjusted net asset value of the Scheme divided by the number of units calculated in accordance with the Trust Deed.</i> |
| 3 LVR | <i>Loan to Value Ratio. This represents the amount borrowed, as a percentage of the most recent valuation of the property held. Lenders place a large emphasis on the LVR in property investments when assessing risk. A lower LVR represents lower risk.</i> |
| 4 WALE | <i>Weighted Average Lease Expiry (sometimes referred to as WALT - Weighted Average Lease Term). For a multi-tenanted property the remaining lease term is weighted by contract rental income to provide a weighted remaining lease term in years.</i> |
| 5 Distributions per unit | <i>Total pre-tax distributions for the period per unit.</i> |
| 6 Distribution yield | <i>Annualised pre-tax distributions per unit for the period expressed as a percentage of the unit price at balance date.</i> |

SCHEME INFORMATION

Details of the scheme

Name of the scheme: Centuria NZ Property Fund
Name of the manager: Centuria Funds Management (NZ) Limited (previously Augusta Funds Management Limited)
Name of the supervisor: Covenant Trustee Services Limited

The offer of units in the Scheme was made under the Financial Markets Conduct Act 2013 (FMCA). The Scheme complies with the FMCA. The date of the product disclosure statement for the Scheme was 13 July 2020. The offer is now closed.

The Scheme's latest financial statements and the independent auditor's report for the 8 months and 19 days ended 31 March 2021 are included in this annual report and will be filed with the Registrar.

Description of the scheme

The Scheme is a Managed Investment Scheme established to invest in property, either directly or indirectly for long term investment. The Scheme was established on 13 July 2020.



Information on composition of the scheme

Number of units on issue as at 13 July 2020	-
Number of units on issue as at 31 March 2021	38,500,000

All 38,500,000 units were issued on 30 September 2020.

Changes relating to the scheme

The Scheme is governed by the Trust Deed (the Governing Document). During the accounting period there were no material changes to the following:

- The Scheme's Governing Document;
- The Statement of Investment Policies and Objectives (SIPO);
- The terms of the offer of the managed investment products in the Scheme;
- The valuation and pricing methodologies for the Scheme; and
- The nature or scale of related party transactions.

There have been no related party transactions (as defined in section 173 of the FMCA) that were not on arms' length terms entered into during the accounting period.

FINANCIAL ANALYSIS

Financial condition and performance of the scheme

Key analysis

- Delivered a total return for the period of \$0.0556 per unit.
- Delivered a distribution for the period of \$0.03 per unit at a payout ratio of 93% of AOP.
- Unit price of \$1.0256 per unit reflecting an investment property value of \$56,700,000.

Set out below is the Manager's further analysis and commentary on the Scheme's financial condition, changes to this and its performance over the accounting period, and a comparison to the Prospective Financial Information (PFI) issued on 14 July 2020.

Financial condition

Summarised statement of financial position	2021 \$	PFI 2021 \$	Variance \$
Current assets	2,695,672	308,859	2,386,813
Non-current assets	55,010,332	56,073,808	(1,063,476)
Total assets	57,706,004	56,382,667	1,323,337
Current liabilities	1,504,838	328,423	1,176,415
Non-current liabilities	19,585,248	23,834,074	(4,248,826)
Total liabilities	21,090,086	24,162,497	(3,072,411)
Net assets (equity)	36,615,918	32,220,170	4,395,748
<i>Net assets per unit</i>	<i>0.95</i>	<i>0.91</i>	<i>0.04</i>

Commentary

Current assets are higher than the PFI by \$2,386,813 primarily due to the deposit of \$659,615 to purchase an additional property located at 26 Clarence Street, Hamilton and retention funds held in the Chapman Tripp trust account for seismic works not yet completed and vendor underwritten tenancies not yet leased.

Non-current assets are lower than the PFI by \$1,063,476 primarily due to seismic works not being complete at balance date and the associated remaining retention funds held in the Chapman Tripp trust account being classified as a current asset which the PFI assumed would be fully released by 31 March 2021. This is offset by the property valuation increasing by \$1,700,000 to \$56,700,000 (PFI: valuation assumed \$55,200,000) since establishment.

Current liabilities are higher than the PFI by \$1,176,415 primarily due to the deposit payable of \$659,615 to purchase the property located at 26 Clarence Street, Hamilton.

Non-current liabilities are lower than the PFI by \$4,248,826 primarily due to raising an additional \$3,000,000 of investor equity which reduced the amount of debt required on settlement.

These variances resulted in the net assets of the Scheme being higher than the PFI by \$4,395,748.

FINANCIAL ANALYSIS

Financial performance

Summarised statement of comprehensive income	2021 \$	PFI 2021 \$	Variance \$
Gross property income	2,192,811	2,137,566	55,245
Property operating expenses	(696,110)	(644,768)	(51,342)
Net property income	1,496,701	1,492,798	3,903
Scheme expenses	(379,257)	(268,308)	(110,949)
Operating profit before finance expenses	1,117,444	1,224,490	(107,046)
Net finance expenses	(342,266)	(378,443)	36,177
Operating profit before fair value movements	775,178	846,047	(70,869)
<i>Operating profit before fair value movements margin</i>	35%	40%	
Change in fair value of investment property	1,069,514	(536,240)	1,605,754
Net profit before taxation	1,844,692	309,807	1,534,885

Commentary

The operating profit margin was lower than the PFI for the period at 35% (PFI: 40%). This was mainly due to the performance fee charged by the Manager partially offset by lower loan interest costs as a result of lower debt utilisation following accepting \$3,000,000 of equity oversubscriptions.

The PFI assumed the investment property's fair value was equal to the \$55,200,000 independent valuation commissioned as part of the acquisition due diligence plus any additional capital expenditure incurred post settlement and the assumed impact of lease negotiations that were expected to be accretive to value. The fair value adopted as at 31 March 2021 is \$56,700,000 based on an independent valuation commissioned at 31 March 2021. The net result on the change in fair value of investment property from differences between the valuation adopted as at 31 March 2021 and the PFI is \$1,605,754.

The net profit was higher than the PFI for the period at \$1,844,692 (PFI: \$309,807). This was mainly due to the positive impact of the change in fair value of investment property of \$1,069,514. (PFI: negative impact of \$536,240).

FINANCIAL ANALYSIS

Cash flow

Summarised statement of cash flow	2021 \$	PFI 2021 \$	Variance \$
Net cash flow from operating activities	1,524,888	669,014	855,874
Net cash flow from investing activities	(55,917,634)	(56,238,648)	321,014
Net cash flow from financing activities	54,542,453	55,879,193	(1,336,740)
Net increase in cash held	149,707	309,559	(159,852)
Cash at beginning of the period	-	-	-
Cash at end of the period	149,707	309,559	(159,852)

Commentary

The 2021 cash balance of \$149,707 is \$159,852 less than the PFI (PFI:\$309,559). The Manager believes this is a reasonable working cash balance for a scheme of this size in conjunction with the undrawn debt facility limit.

Net cash flow from operating activities of \$1,524,888 was higher than the PFI due to no lease incentives and leasing fees being paid during the period.

Net cash outflow from investing activities of \$55,917,634 was lower than the PFI as the seismic works were not fully completed by year end.

Net cash inflow from financing activities of \$54,542,453 was lower than the PFI due to less loan drawdowns than the PFI as forecast leasing costs were not incurred.

FINANCIAL ANALYSIS

Investment returns

The following financial metrics present the total return per unit for the period, including both capital growth and distributions. The payout ratio for the period illustrates the cash distributed to investors as a percentage of the adjusted operating profit (AOP) generated that could be returned to investors, paid off the loan, invested in assets/developments or retained for future cash flow requirements. A reconciliation between the net profit after tax per the statement of comprehensive income and AOP is set out on page 9. Also presented is the distributions per unit and distribution yield.

Non-GAAP metrics

The unit price, AOP, total return and investor return metrics do not have standardised meanings prescribed by Generally Accepted Accounting Principles (GAAP) and therefore may not be comparable to similar financial information presented by other entities. The Manager believes these non-GAAP disclosures are important, and are useful to investors, as they are consistent with the calculations prepared internally by management to assist in forecasting future distribution levels and in the performance fee calculation. The non-GAAP disclosures are not included in the financial statements and have not been audited.



Total return per unit¹	Payout ratio²
\$0.0556	93%
Distributions per unit³	Distribution yield⁴
\$0.03	5.85%

Calculation of investor return for six month period from issue of units on 30 September 2020 to 31 March 2021	2021
	\$
Movement in unit price during the period	0.0256
Distributions per unit for the period	0.0300
Total return per unit	0.0556
Investor return	5.56%

Commentary

The investor return is calculated by taking the closing unit price at balance date and subtracting the opening unit price for the period (being the \$1 original price), and adding the aggregate gross distributions paid in respect of a unit during the period. The result is then divided by the opening unit price to determine the performance in percentage terms.

Glossary of terms

1 Total return per unit	<i>The net movement in unit price during the period plus the total pre-tax distributions for the period per unit.</i>
2 Payout ratio	<i>The percentage of the adjusted operating profit distributed to investors for the period.</i>
3 Distributions per unit	<i>Total pre-tax distributions for the period per unit.</i>
4 Distribution yield	<i>Annualised pre-tax distributions per unit for the period expressed as a percentage of the unit price at balance date.</i>

UNIT PRICE

The unit price is determined monthly as at the last day of the month by dividing the adjusted net asset value of the Scheme by the aggregate number of Units in the Scheme. The adjusted net asset value of the Scheme is calculated using the net asset value (determined in accordance with NZ IFRS) and making adjustments to take into account the Scheme's policy of spreading establishment costs, capital raising costs and the cost of acquiring assets over time.

Reconciliation of adjusted net asset value (for unit price)

As at 31 March 2021

	2021
	\$
Number of units	38,500,000
Net asset value	36,615,918
Net assets per unit	0.9511
Adjustments for establishment costs	
Add: Establishment costs in relation to issuing units	2,573,774
Less: Amortisation of establishment costs in relation to issuing units	(257,377)
Adjustments for asset acquisition and selling costs	
Add: Acquisition costs	765,442
Less: Amortisation of acquisition costs	(76,544)
Less: Provision for selling costs	(137,500)
Adjusted net asset value	39,483,712
Unit price	1.0256
Unit price on establishment	1.0000
Movement in unit price during the period	0.0256
Closing unit price	1.0256

Establishment and acquisition costs

Establishment costs, capital raising costs and acquisition costs include acquisition fees, brokerage fees, due diligence costs, legal costs and other costs that have been incurred in connection with raising capital and the acquisition of assets. These costs are written off on a straight line basis over a five-year period from the time the capital is raised or the asset is acquired.

Where an asset has been purchased by the Scheme a provision is made to provide for the anticipated proportionate costs of selling that asset. This provision is gradually recognised over five years from the time the asset is first acquired. This provision for any particular asset will be amended to reflect the actual costs of selling the asset once known and reduced to zero once the asset is sold.

The above reconciliation has not been audited by PwC.

ADJUSTED OPERATING PROFIT (AOP)

The Scheme's policy is to distribute up to 100% of the Scheme's Adjusted Operating Profit (AOP) to investors over the medium term. The table below is a reconciliation between the net profit after tax as per the statement of comprehensive income and AOP.

Reconciliation of net profit after tax to AOP

For the period ended 31 March 2021

	2021 (8 months & 19 days) \$	PFI 2021 (8 months & 19 days) \$	Variance \$
Net profit after tax	1,844,692	309,607	1,535,085
Unrealised movement in fair value of investment property	(1,069,514)	536,240	(1,605,754)
Performance fees	149,222	-	149,222
Rental income from vendor rental underwrite financial asset	269,882	203,500	66,382
Amortisation of capitalised borrowing costs	42,950	42,881	69
Amortisation of vendor funded lease incentives	-	4,252	(4,252)
Debt funded non-recoverable repairs and maintenance expenses	1,930	39,446	(37,516)
AOP available for distribution	1,239,162	1,135,926	103,236
AOP payout ratio	93%	94%	

AOP is a non-GAAP financial measure adopted to assist the Scheme in assessing the operating surplus available for distribution. AOP does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

AOP is calculated by adjusting net profit after tax (determined in accordance with NZ IFRS) for certain non-cash, one-off, irregular and/or equity raising items. Further details are available in the Statement of Investment Policy and Objectives.

The above reconciliation has not been audited by PwC.

ADDITIONAL SCHEME INFORMATION

Fees

The following fees and expenses have been charged to the Scheme in accordance with the Scheme's Governing Document during the accounting period:

	Amount \$	As % of Scheme's property*
Fees for establishment of the Scheme and acquisition of the property charged by the manager and associated persons		
Offeror fee	1,995,000	3.46%
Interest on Anglesea Medical Centre deposit	76,548	0.13%
Total fees for establishment of the Scheme and acquisition of the property charged by the manager	2,071,548	3.59%
Fees for establishment of the Scheme and acquisition of the property charged by other persons		
Brokerage fees	606,375	1.05%
Legal fees	326,076	0.57%
Investigating accounting fee	90,000	0.16%
Valuation fees	26,250	0.05%
Chattels valuation fees	17,844	0.03%
Building inspection fees	52,506	0.09%
Supervisor fees	10,000	0.02%
Marketing, PDS design and printing costs	259,625	0.45%
Bank fees and bank legal costs	115,952	0.20%
PDS and scheme registration fee and FMA levy	6,522	0.01%
Registry establishment fees	15,000	0.03%
Purchase of property	55,000,000	95.31%
Total fees for establishment of the Scheme and acquisition of the property charged by other persons	56,526,150	97.97%
Ongoing fees and expenses charged by the manager		
Scheme management fees	141,883	0.25%
Performance fees	149,222	0.26%
Total ongoing fees and expenses charged by the manager	291,105	0.51%

ADDITIONAL SCHEME INFORMATION

	Amount \$	As % of scheme property*
Ongoing fees and expenses charged by other persons		
Property operating expenses (rates, insurance, utilities)	696,110	1.21%
Audit fees	35,000	0.06%
Accounting fees	684	0.00%
Valuation fees	18,710	0.03%
Supervisor fees	12,841	0.02%
Investment compliance expenses	625	0.00%
Other administration expenses	20,292	0.04%
Bank loan interest and fees	299,316	0.52%
Capitalised investment property additions	240,530	0.42%
Seismic works expenditure	493,868	0.86%
Total ongoing fees and expenses charged by other persons	1,817,976	3.16%
Total ongoing fees and expenses charged to the Scheme	2,109,081	3.67%

The amounts above represent the full fee or expense charged during the accounting period. This may differ to the amounts disclosed in the statement of comprehensive income where an item is capitalised. Refer to the accounting policies on revenue and expenses, investment property and borrowings in the financial statements for further information.

*Scheme property represents total assets at balance date as described below.

Further information about fees and expenses charged

- (a) **Scheme management fees** The annual scheme management fee is charged at 0.50% of the average month-end value of all Scheme assets. The fee is payable quarterly in arrears.
- (b) **Performance fees** A performance fee is payable to the Manager to reflect the excess performance of investors' returns (being distributions and changes in the unit price) over the benchmark return, of an amount equivalent to 20% (plus GST) of such excess performance amount. The fee is payable six monthly in arrears.
- (c) **Offeror fee** The offeror fee was charged by the Manager in accordance with the Scheme's Governing Document.
- (d) **Interest on Anglesea Medical Centre deposit** Interest on Anglesea Medical Centre Deposit relates to interest incurred by the Manager on debt drawn to fund the deposit paid for the acquisition of the property. This is based on an interest rate of 4.00% per annum for the period from 20 January 2020 (the date the deposit was paid) until 30 September 2020 (settlement date).
- (e) **Supervisor fee** The supervisor will charge an annual base fee based on the Scheme's net asset value.

Fees payable to the Manager are charged in accordance with the Governing Document. Scheme management fees can be changed by amending the Governing Document which requires approval by the investors. Notice will be given to investors if there is any proposal to change these fees.

ADDITIONAL SCHEME INFORMATION

All other listed fees and expenses will change in the normal course of performing business with the associated suppliers and are charged in accordance with the Governing Document which includes the Supervisor fees being amended by agreement with the Manager. Investors will not be separately notified of any changes in fees or expenses, however these are reflected in the annual financial statements and annual report of the Scheme.

Scheme property

The following table contains a description of the Scheme's property and its value at the end of the accounting period.

	2021 \$
Scheme property	
Cash and cash equivalents	149,707
Trade and other receivables	175,100
Chapman Tripp trust account - retentions	1,711,250
Deposit on investment property	659,615
Investment property	55,010,332
Total Scheme property	57,706,004

Changes to persons involved in the scheme

During the accounting period there have been the following changes to the persons involved in the Scheme:

- (a) There was no change to the Manager of the Scheme during the accounting period. Centuria Capital (NZ) No.1 Limited (previously known as Augusta Capital Limited), the parent company of the Manager, was taken over by Centuria Capital Limited during the period. As a result, the Manager is now a wholly owned subsidiary of Centuria Capital Limited. From 7 April 2021, the Manager's name changed from Augusta Funds Management Limited to Centuria Funds Management (NZ) Limited.
- (b) In March 2021, Joel Lindsey moved from Chief Operating Officer to Head of Funds Management and Simon Woollams moved from Chief Financial Officer to Chief Operating Officer.
- (c) Kevin Murphy and Paul Duffy resigned as directors of the Manager on 30 November 2020. John McBain was appointed as a director of the Manager on 10 August 2020. Jason Huljich and Michael Steur were appointed as directors of the Manager on 22 December 2020. On 22 December 2020, Bryce Barnett became alternate director for Mark Francis and John McBain became alternate director for Jason Huljich.
- (d) There was no change to the Supervisor or any of its directors, the Custodian, or the auditor of the Scheme.

How to find further information

Copies of documents relating to the Scheme, such as the Scheme's Governing Document, Statement of Investment Policy and Objectives (SIPO) and the annual financial statements are available on the Disclose Register or on request from the Manager.

Information can be obtained from the Disclose Register at <https://disclose-register.companiesoffice.govt.nz> by clicking on "Search for a scheme" and searching scheme number SCH12900.

ADDITIONAL SCHEME INFORMATION

You have the right, free of charge during normal office hours, to inspect that part of the managed investment product register that relates to your products on giving five working days notice to the Manager. You also have the right, free of charge, on giving five working days notice and during normal office hours, to inspect a copy of the Scheme's Governing Document, SIPO and annual financial statements at our registered office. The registered office is located at Level 2, 30 Gaunt Street, Wynyard Quarter, Auckland, New Zealand. Alternatively you can obtain a copy free of charge by writing to us at PO Box 37953, Parnell, Auckland 1151.

Contact details and complaints

Manager

Centuria Funds Management (NZ) Limited

Level 2, 30 Gaunt Street
Auckland 1010

PO Box 37953 Parnell
Auckland 1151

Attention: Mark Francis

Phone: (09) 300 6161
Facsimile: (09) 300 6162

Supervisor

Covenant Trustee Services Limited

Level 8, 191 Queen Street
Auckland 1010

PO Box 4243 Shortland Street
Auckland 1140

Attention: Richard Spong

Phone: (09) 302 0638
Facsimile: (09) 302 1037

Registrar

Boardroom Pty Limited

Grosvenor Place, Level 12, 225 George Street
Sydney, NSW 2000, Australia

GPO Box 3993
Phone: 0800 369 520

Complaints about the Scheme can be made to the Manager:

Centuria Funds Management (NZ) Limited

Level 2, 30 Gaunt Street
Auckland 1010

PO Box 37953 Parnell
Auckland 1151

Attention: Matthew Butt

Phone: (09) 300 6161
Facsimile: (09) 300 6162

A complaint can also be made to:

Covenant Trustee Services Limited

Level 8, 191 Queen Street
Auckland 1010

PO Box 4243 Shortland Street
Auckland 1140

Attention: Richard Spong

Phone: (09) 302 0638
Facsimile: (09) 302 1037

or to:

Fairway Resolution Limited

Freepost 231075
PO Box 2272 Wellington 6140
Phone: 0508 337 337

Fairway Resolution Limited (trading as Financial Dispute Resolution) is an approved dispute resolution scheme that Centuria Funds Management (NZ) Limited has joined for the purposes of the Financial Service Providers (Registration and Dispute Resolution) Act. Financial Dispute Resolution will not charge a fee to any complainant to investigate or resolve a complaint.

FINANCIAL STATEMENTS

For the period ended 31 March 2021

Contents

14	Corporate directory
15	Statement of comprehensive income
16	Statement of changes in equity
17	Statement of financial position
18	Statement of cash flow
19	Notes to the financial statements
35	Independent auditor's report

Corporate directory

Registered Scheme Number SCH12900

Manager	Centuria Funds Management (NZ) Limited Level 2, 30 Gaunt Street Wynyard Quarter Auckland 1010 New Zealand	Supervisor	Covenant Trustee Services Limited Level 8 191 Queen Street Auckland 1010 New Zealand
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Registrar	Boardroom Pty Limited Grosvenor Place Level 12, 225 George Street Sydney, NSW 2000 Australia	Auditor	PwC 15 Customs Street West Auckland 1010 New Zealand
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Bankers	ASB Bank Limited Level 6 12 Jellicoe Street Auckland 1010 New Zealand	Custodian	CNZPF Nominee Limited Level 6 191 Queen Street Auckland 1010 New Zealand
	Industrial and Commercial Bank of China 2 Queen Street Auckland 1010 New Zealand		

Statement of comprehensive income

For the period ended 31 March 2021

	Note	2021 (8 months & 19 days) \$
Gross rental income	3	2,192,811
Gross property income		2,192,811
Recoverable property operating expenses	3	(668,236)
Non-recoverable property operating expenses	3	(27,874)
Net property income		1,496,701
Scheme expenses	3	(379,257)
Operating profit before finance expenses		1,117,444
Net finance expenses	3	(342,266)
Operating profit before fair value movements		775,178
Change in fair value of investment property	5	1,069,514
Net profit before taxation		1,844,692
Income tax		-
Net profit after tax		1,844,692
Other comprehensive income		-
Total comprehensive income attributable to investors		1,844,692

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 19 TO 34

Statement of changes in equity

For the period ended 31 March 2021

		Capital \$	Retained earnings \$	Total \$
Equity as at 13 July 2020		-	-	-
Issued capital		38,500,000	-	38,500,000
Establishment costs in relation to issuing units		(2,573,774)	-	(2,573,774)
Total comprehensive income for the period		-	1,844,692	1,844,692
Distributions to investors	11	-	(1,155,000)	(1,155,000)
Equity as at 31 March 2021		35,926,226	689,692	36,615,918

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 19 TO 34

Statement of financial position

As at 31 March 2021

	Note	2021 \$
Current assets		
Cash and cash equivalents		149,707
Trade and other receivables	7	175,100
Chapman Tripp trust account - retentions	5	1,711,250
Deposit on investment property		659,615
Total current assets		2,695,672
Non-current assets		
Investment property	5	55,010,332
Total non-current assets		55,010,332
Total assets		57,706,004
Current liabilities		
Trade and other payables	8	1,504,838
Total current liabilities		1,504,838
Non-current liabilities		
Borrowings	6	19,585,248
Total non-current liabilities		19,585,248
Equity		36,615,918
Total liabilities and equity		57,706,004

These financial statements have been issued for and on behalf of the Manager by :



Michael Steur
Director of Centuria Funds Management (NZ) Limited



Mark Francis
Director of Centuria Funds Management (NZ) Limited

Date: 14 July 2021

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 19 TO 34

Statement of cash flow

For the period ended 31 March 2021

	Note	2021 (8 months & 19 days) \$
Cash flows from operating activities		
Cash was provided from :		
Rental receipts		1,594,072
Property operating expense recoveries		552,183
Receipt of vendor rental underwrite financial asset		269,882
Goods and services tax received		93,568
		2,509,705
Cash was applied to :		
Payments to suppliers		(712,675)
Interest paid		(272,142)
		(984,817)
Net cash flow from operating activities	4	1,524,888
Cash flows from investing activities		
Cash was provided from :		
Receipt of vendor seismic works retention financial asset		388,264
		388,264
Cash was applied to :		
Purchase of investment property		(55,000,000)
Transaction costs in relation to purchase of investment property		(765,442)
Seismic works expenditure		(388,264)
Investment property additions		(152,192)
		(56,305,898)
Net cash flow from investing activities		(55,917,634)
Cash flows from financing activities		
Cash was provided from :		
Subscriptions for units issued by the Scheme		38,500,000
Borrowings		19,800,000
		58,300,000
Cash was applied to :		
Distributions paid to investors and PIE tax		(926,071)
Issue costs		(2,573,774)
Borrowing costs		(257,702)
		(3,757,547)
Net cash flow from financing activities		54,542,453
Net increase in cash and cash equivalents		149,707
Cash and cash equivalents at start of period		-
Cash and cash equivalents at end of period		149,707

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 19 TO 34

NOTES TO THE FINANCIAL STATEMENTS

Note 1: General information

a) Reporting entity

The financial statements of Centuria NZ Property Fund (the Scheme) for the 8 months and 19 day period ended 31 March 2021 were authorised for issue by the Manager of the Scheme on 14 July 2021.

The Scheme is a managed investment scheme under the FMCA. The Scheme is domiciled and registered in New Zealand. CNZPF Nominee Limited (the Custodian), holds all current Scheme property on behalf of the Scheme. The Custodian holds legal title to the property, the Scheme's bank accounts and borrowings. The Custodian is a subsidiary of the Supervisor.

The nature of the operations and principal activities of the Scheme are investment in property. The entity's Manager, Centuria Funds Management (NZ) Limited, is responsible for the day to day management of the Scheme.

b) Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP, the Scheme is a for-profit entity. The financial statements have also been prepared on a historical costs basis, except where otherwise identified.

The Scheme Manager is a licensed manager under the FMCA, as a manager of Managed Investment Schemes. The Scheme's financial statements comply with the FMCA.

The financial statements are presented in New Zealand dollars which is the Fund's functional currency and are rounded to the nearest whole dollar.

c) Statement of compliance

The financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable standards. The financial statements also comply with International Financial Reporting Standards (IFRS).

d) COVID-19 global pandemic

The outbreak of the Coronavirus (COVID-19) was declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020. In response to the pandemic, regions of New Zealand entered into periods of different alert levels with the implementation of varying travel restrictions and a range of quarantine and "social distancing" measures. No rental relief or abatement was provided to tenants since the Scheme acquired the property.

e) Comparatives

The period ended 31 March 2021 is the first period of operation for the Scheme. There are therefore no comparative figures available.

f) Goods and service tax

The financial statements have been prepared on a goods and services tax exclusive basis, with the exception of trade receivables and trade payables which are stated inclusive of goods and services tax.

NOTES TO THE FINANCIAL STATEMENTS

Note 2: Critical accounting estimates, assumptions and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of the Scheme's accounting policies and the reported amounts of assets, liabilities, income and expenses. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Scheme.

The estimates and underlying assumptions are reviewed on an ongoing basis. Although the Scheme has internal control systems in place to ensure that estimates can be reliably measured, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value measurements

A number of the Scheme's accounting policies and disclosures require measurement at fair value. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique adopted as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included in 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The areas involving a high degree of judgement or areas where assumptions are significant to the Scheme include the following:

Valuation of investment property - Investment property (Note 5).

Note 3: Revenue and expenses

	2021 \$
Gross rental income	
Rental income	1,794,457
Receipt of vendor rental underwrite financial asset - rental income	(206,510)
Property operating expenses recovered	668,236
Receipt of vendor rental underwrite financial asset - property operating expenses recovered	(63,372)
Total gross rental income	2,192,811

	2021 \$
Recoverable property operating expenses	
Rates and insurance	236,208
Utilities	140,938
Repairs and maintenance	189,663
Property management fees	95,924
Other expenses	5,503
Total recoverable property operating expenses	668,236

NOTES TO THE FINANCIAL STATEMENTS

Non-recoverable property operating expenses

Repairs and maintenance	1,930
Property management fees	1,231
Rates and insurance	6,352
Legal and professional fees	15,401
Marketing fees	375
Utilities	2,585
Total non-recoverable property operating expenses	27,874

Scheme expenses

Valuation fees	18,710
Supervisor fees	12,841
Investment compliance expenses	625
Accounting fees	684
Audit fees	35,000
Scheme management fees	141,883
Performance fees	149,222
Other administration expenses	20,292
Total Fund expenses	379,257

Net finance expenses

Bank loan interest and fees	299,316
Amortisation of borrowing costs	42,950
Total net finance expenses	342,266

2021

\$

Auditor's remuneration

Financial statement audit	35,000
Investigating accountant services	90,000
Total auditor's remuneration	125,000

The \$90,000 charged to the Scheme for investigating accountant services is recognised directly in equity as an establishment cost.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policy - revenue and expenses

Revenue recognition

The Scheme recognises revenue from the following principal activities:

Gross rental income

Rental income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the investment property is diminished. Lease incentives provided to tenants are capitalised as an asset and amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income.

Rental income received from the vendor rental underwrite is treated as a receipt of a financial asset and is not recognised within net rental income in the statement of comprehensive income.

Rates and insurance recoveries are recognised in accordance with NZ IFRS 16 *Leases* as components of the leases based on the obligation they impose on each tenant to the lessor.

Income generated from property operating expenses recovered from tenants is included in gross rental income with the associated property operating expenses shown in operating expenses. Operating expense recoveries are recognised as service charge income when a performance obligation is satisfied by transferring control of goods or services to tenants that are recoverable in accordance with the terms and conditions of lease agreements. A performance obligation is a promise in a lease to provide a distinct good or service (or a bundle of goods and services) to a tenant.

Property operating expense recoveries received from the vendor rental underwrite are treated as a receipt of a financial asset and are not recognised as property operating expense recoveries in the statement of comprehensive income.

Expense recognition

The Scheme recognises expenses from the following principal activities:

Property operating expenses

Property operating expenses are categorised into recoverable and non-recoverable property operating expenses in accordance with lease agreements and are recognised in the statement of comprehensive income when incurred. Leasing fees are capitalised and amortised over the lease term to which they relate.

Finance expenses

Finance expenses principally consists of interest payable on borrowings which is recognised as an expense using the effective interest method. Associated transaction costs are capitalised and amortised over the term of the borrowing facility to which they relate.

Taxation

As a multi-rate Portfolio Investment Entity the Scheme reflects income tax as amounts paid on behalf of investors. No income tax expense or benefit is recognised by the Scheme in the statement of comprehensive income. The Scheme is responsible for withholding the taxation payable by each investor in accordance with the taxation laws pertaining to Portfolio Investment Entities. The taxation due or receivable from Inland Revenue is reflected in the statement of financial position, based on the attribution of taxable income to each investor. All taxable profits allocated to the investors based on the proportion of their interest in the Scheme. As the scheme is a Land PIE any losses can only be offset against income from the same land class and are carried forward to reduce the taxable profits allocated to investors in future periods.

NOTES TO THE FINANCIAL STATEMENTS

Accounting policy - revenue and expenses *continued*

Depreciation

The statement of comprehensive income does not include a charge for depreciation as the net carrying value of the investment property stated in the statement of financial position reflects the fair value. However, for tax purposes, the Scheme claims depreciation deductions on all depreciable property including buildings and landlord owned fixtures and fittings.

Note 4: Reconciliation of the net profit before taxation to the net cash flow from operating activities

	2021 (8 months & 19 days) \$
Net profit before taxation	1,844,692
Adjustments for:	
Change in fair value of investment property	(1,069,514)
Amortisation of capitalised borrowing costs	42,950
Receipt of vendor rental underwrite financial asset	269,882
Changes to assets and liabilities relating to operating activities	
Increase in trade and other receivables	(69,496)
Increase in trade and other payables	506,374
Net cash flow from operating activities	1,524,888

Accounting policy - cash and cash equivalents

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks which are subject to an insignificant risk of changes in value and are readily accessible.

Statement of cash flow

The following is the definition of the terms used in the statement of cash flow:

- Operating activities are the principal revenue producing activities of the Scheme and other activities that are not investing or financing activities;
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Scheme.

NOTES TO THE FINANCIAL STATEMENTS

Note 5: Investment property

a) Reconciliation of fair value

The following table shows a reconciliation from the opening to the closing fair values of investment property:

	2021 \$
Fair value at beginning of period	-
Purchase price of investment property	55,000,000
Transaction costs to purchase investment property	765,442
Retention funds held in Chapman Tripp trust account	(1,816,854)
Transfer to vendor rental underwrite financial asset	(269,882)
Transfer to seismic works retention financial asset	(493,868)
Seismic works expenditure	493,868
Investment property additions	240,530
Change in fair value of investment property	1,069,514
Fair value at end of period	54,988,750
Investment WIP	21,582
Carrying amount at end of period	55,010,332

Investment WIP includes acquisition and due diligence costs to purchase commercial properties for the Scheme (refer to Note 18).

The following table reconciles the assets disclosed in the statement of financial position to the independent valuation:

	2021 \$
Investment property	54,988,750
Chapman Tripp trust account - retentions	1,711,250
Independent valuation	56,700,000
Investment WIP	21,582
Total investment property	56,721,582

The independent valuation is adjusted for the carrying value of Chapman Tripp trust account - retentions under the fair value model as the entity does not double count assets or liabilities that are recognised as separate assets or liabilities.

Investment property comprises of a medical centre in Hamilton situated at corner of Anglesea and Tristram Street, Hamilton. The property is partially leased at balance date under the terms disclosed in Note 13. It has been provided as security for the borrowings. Refer to Note 6 for further information.

Financial assets have been recognised on settlement of Anglesea Medical Centre in relation to a rental underwrite provided by the vendor and a retention held for seismic works.

NOTES TO THE FINANCIAL STATEMENTS

The investment property is measured at fair value. It was valued as at 31 March 2021 by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuation has been reviewed by the Manager and benchmarked against other comparable valuations in the Manager's portfolio. Following this review the valuation was determined to be reasonable as at 31 March 2021. However, in the current environment valuations may change more often and by larger amounts than would normally be the case.

Valuation methodology

Purpose:	Financial reporting
Basis of valuation:	The determination of the values stated were based on market value subject to existing tenancies and occupational arrangements.
Assessment approach:	Discounted cash flow and income capitalisation approach

Valuation summary

	2021
Valuer	CBRE
Amount of valuation	\$56,700,000
Value per square metre	\$4,434
Adopted capitalisation rate	6.13%
Adopted discount rate	7.38%
Adopted terminal yield	6.00%
Net market rent	\$3,631,281
Net market rent per square metre	\$284
Yield on net market rent	6.40%
Net passing rent	\$3,581,345
Net passing rent per square metre	\$280
Yield on net passing rent	6.32%
Weighted average lease term	3.90 years
Vacancy rate	2.00%

The valuation reflects: the quality of tenants in occupation; the allocation of maintenance and insurance responsibilities between the Scheme and the tenants; and the remaining economic life of the property. The valuation also assumes on expiry of the current lease term for each tenancy the Scheme will be able to re-tenant the property at market rates. The valuation has been prepared on the basis that the vendor underwrites all vacant areas for a period of 12 months from settlement date and the retention amount is sufficient to cover all seismic strengthening costs to achieve a seismic strength rating no less than 67% New Building Standard (NBS). The valuation has been assessed on the basis of no on-site contamination. Assumptions around future capital expenditure requirements and letting up allowances have also been factored into the valuation.

Impact of COVID-19 on the valuation

The valuation takes into account the impact of COVID-19 on real estate markets. Given the heightened uncertainty and unknown impact that COVID-19 may have on real estate markets in the future, the valuers note that a higher degree of caution should be exercised when relying on their opinion of "market value".

NOTES TO THE FINANCIAL STATEMENTS

b) Fair value hierarchy

The fair value measurement for investment property has been categorised as a Level 3 fair value (refer to Note 2) based on the inputs to the valuation technique used being based on unobservable inputs. There were no transfers between levels during the year.

c) Valuation techniques and unobservable inputs

The following table outlines the valuation techniques used in measuring fair value of the investment property, as well as the unobservable inputs used and the inter-relationship between the key unobservable inputs and fair value measurement.

Valuation technique	Unobservable inputs	The estimated fair value would increase/(decrease) if:
Capitalisation approach		
This approach is considered a "point in time" view of the investment property's value, based on the current contract and market income and an appropriate market yield or return for the property. Capital adjustments are then made to the value to reflect under or over renting, pending capital expenditure and upcoming expiries, including allowances for lessee incentives and leasing costs.	- Net rental income has been capitalised in perpetuity at a capitalisation rate of 6.13%	- Capitalisation rate in perpetuity was lower (higher)
	- Assessed net market rent of \$3,631,281	- The assessed market rental was higher (lower)
Discounted cash flow approach		
The discounted cash flow method adopts a 10 year investment horizon and makes appropriate allowances for rental growth and leasing costs on lease expiries, with an estimated terminal value at the end of the investment period. The present value is a reflection of contract/market based income (inflows) and expenditure (outflows) projections over the 10 year period discounted at a market analysed return.	- Discount rate of 7.38%	- Discount rate was lower (higher)
	- Terminal yield of 6.00% at the end of the 10 year period	- The terminal yield was lower (higher)
	- Assessed net market rent of \$3,631,281	- The assessed market rental was higher (lower)

Among other factors, all valuation approaches consider the quality of the building and its location, tenant quality, lease terms and any lease incentive costs such as rent-free periods and other costs not paid by the tenants.

In arriving at the independent valuers assessment of fair value they have considered the capitalisation and discounted cashflow approaches to the valuation.

Valuation methodology approach	Valuation
Capitalisation approach - market income	57,200,000
Discounted cashflow approach	56,100,000
Adopted value	56,700,000

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analysis

A sensitivity based on adjustments to the adopted core capitalisation rate under the capitalisation approach and the discount rate and terminal yield under the discounted cashflow approach is below.

Capitalisation approach sensitivity	Capitalisation rate	Valuation
		\$
Decrease in capitalisation rate (-0.25%)	5.88%	59,800,000
Adopted capitalisation rate	6.13%	57,200,000
Increase in capitalisation rate (+0.25%)	6.38%	54,900,000

Discounted cash flow approach sensitivity			
	Terminal yield		
Discount rate	5.75%	6.00%	6.25%
7.13%	58,700,000	57,100,000	55,700,000
7.38%	57,600,000	56,100,000	54,600,000
7.63%	56,600,000	55,100,000	53,700,000

Accounting policy - investment property

Investment property is initially measured at cost, including transaction costs and is subsequently measured at fair value which reflects market conditions. Fair value is determined annually by independent valuers and adjusted for any amounts already allocated to other assets or liabilities. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable a future economic benefit will flow to the Scheme and cost can be reliably measured. All other repairs and maintenance costs are expensed as incurred. Where part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The independent valuation is adjusted for the carrying value, if any, of the Chapman Tripp trust account - retentions, capitalised fixed rental growth accruals, capitalised lease incentives and capitalised leasing fees (refer note 5) as in determining the carrying amount of investment property under the fair value model, an entity does not double count assets or liabilities that are recognised as separate assets or liabilities.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit or loss in the period of derecognition.

The Scheme classifies investment property as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be held for immediate sale and the Scheme must be committed to selling the asset either through entering into a contractual sale and purchase agreement or by entering into a campaign to market the property sale with the clear intention of disposal. The sale must be highly probable, an active programme to locate a buyer must be in place, the disposal plan must have been initiated and a completed sale must be expected to take place within one year from the date of classification.

Accounting policy - financial assets

Financial assets, including certain rental underwrites, guarantees and retentions are fair valued at period end with the impact of changes in estimates recognised in profit or loss as a movement in fair value.

NOTES TO THE FINANCIAL STATEMENTS

Note 6: Borrowings

The Scheme has loans with ASB Bank Limited (ASB) and Industrial and Commercial Bank of China (New Zealand) Limited (ICBC) through a syndicated facility. Principal repayment is due on maturity with interest payable monthly at a floating rate until 30 September 2023. The borrowings are secured by way of a specific security deed over bank accounts, leases and rental bonds, a registered first mortgage over the property situated at the corner of Anglesea and Tristram Street, Hamilton and a general security deed over all assets of the Scheme.

Borrowing summary	2021
Loan maturity date	30/09/2023
Loan to value ratio (LVR) % - not to be greater than	55%
Interest cover - not to be less than	2.00
Syndicated loan balance	19,800,000
Syndicated loan facility limit	26,125,000
The interest rate at year end consists of:	
Variable base rate	0.31%
Lending margin	1.56%
Line fees	0.84%
	2.71%

Each bank's participation under the syndicated facility is set out in the table below:

31 March 2021	ASB	ICBC	Total
Drawn debt	9,900,000	9,900,000	19,800,000
Undrawn debt	3,162,500	3,162,500	6,325,000
	13,062,500	13,062,500	26,125,000

The table below reconciles movements in liabilities arising from financing activities (as classified in the statement of cash flow) that have occurred in the periods presented within the Scheme's financial statements.

2021	Borrowings due < 1 year	Borrowings due > 1 year	Associated borrowing costs	Total
	\$	\$	\$	\$
Borrowings as at 13 July 2020	-	-	-	-
Cash drawn down on loan	-	19,800,000	-	19,800,000
Changes arising from cash flows	-	-	(257,702)	(257,702)
Non-cash changes	-	-	42,950	42,950
Borrowings as at 31 March 2021	-	19,800,000	(214,752)	19,585,248

Accounting policy - borrowings

Borrowings are recognised initially at fair value (net of transaction costs) and are subsequently stated at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Scheme has an unconditional right to defer settlement of the liability for at least 12 months after balance date. Associated transaction costs are capitalised and amortised over the term of the borrowing facility to which they relate.

NOTES TO THE FINANCIAL STATEMENTS

Note 7: Trade and other receivables

	2021 \$
Trade receivables	16,924
Other receivables	136,787
Prepayments	21,389
	175,100

Accounting policy - trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less an allowance for any impairment losses.

The Manager has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

At each reporting period an assessment is made if there has been a significant increase in credit risk since the asset was acquired to determine if an expected loss provision should be recorded. If the risk is assessed as significantly increased, an amendment is made to the expected loss provision. The expected loss provision is recognised in the profit or loss and subsequent recoveries of amounts written off are recognised in the profit or loss. Trade receivables are non-interest bearing and on 30-day terms.

Note 8: Trade and other payables

	2021 \$
Trade payables	723,447
Accrued expenses	517,751
Accrued interest	27,174
Bonds charged	6,125
Portfolio investment entity taxation payable	63,878
GST payable	1,412
Distributions payable	165,051
	1,504,838

Accounting policy - trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Scheme prior to year end which are unpaid and arise when the Scheme becomes obliged to make future payments in respect to the purchase of goods and services. As trade and other payables are usually paid within 30 days they are not discounted.

NOTES TO THE FINANCIAL STATEMENTS

Note 9: Financial risk management

The main risks arising from the normal course of the Scheme's business are interest rate risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the values and future cash flows of the Scheme's assets and liabilities will fluctuate due to changes in market interest rates. The Scheme is exposed to interest rate risk primarily through its borrowings. Management actively review exposure through sensitivity analysis in strategic reviews. The level of borrowings is disclosed in Note 6.

To manage the risk the Scheme may enter into interest rate swaps or fixed rate borrowing agreements. For swaps, the Scheme agrees to exchange at specified intervals, the difference between fixed and variable base rate interest amounts calculated by reference to an agreed-upon notional principal amount.

As at balance date, the Scheme had the following assets and liabilities exposed to interest rate risk:

	2021 \$
Cash and cash equivalents	149,707
Borrowings:	
Unhedged	(19,800,000)

The following demonstrates the sensitivity to the Scheme profit and equity, resulting from a reasonably possible change in interest rates after the impact of hedging, if any, with all other variables held constant.

	2021 \$
Net impact on profit and equity (+1%)	(196,503)
Net impact on profit and equity (-1%)	196,503

Liquidity risk

Liquidity risk is the risk that the Scheme will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The Scheme's policy for management of liquidity risk is to maintain a minimum level of funds to meet working capital requirements. The Scheme manages its risk by monitoring cash flow on an ongoing basis.

Liquidity risk in relation to the equity of the Scheme is low as there are restrictions on unitholders detailed in the Governing Document should they wish to liquidate their investment.

The following table details the remaining contractual maturity for the Scheme's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Scheme can be required to pay and all interest rate variables being held constant.

Interest and fees payable on borrowings is calculated up to loan expiry. Refer to Note 6 for further details on borrowings.

NOTES TO THE FINANCIAL STATEMENTS

2021	< 1 Year	1 - 5 Years	Total
	\$	\$	\$
Financial liabilities			
Payables	629,084	-	629,084
Borrowings	-	19,585,248	19,585,248
Interest and fees payable on borrowings	563,754	807,075	1,370,829
Total financial liabilities	1,192,838	20,392,323	21,585,161

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Scheme will fail to discharge its obligations, causing the Scheme to incur a financial loss. Financial instruments which potentially subject the Scheme to credit risk consist of cash and cash equivalents and trade and other receivables. The Scheme's policy is to assess the creditworthiness of prospective tenants. The Scheme manages its exposure to credit risk on an ongoing basis, through regular communication with the tenant and by receiving rental income monthly in advance. Maximum exposures to credit risk at balance date are the carrying amounts of financial assets in the statement of financial position. There were no impaired assets at balance date.

Note 10: Capital management

The Scheme's capital comprises funds received from the issue of units in the Scheme (see Note 11), retained funds from its operations and borrowing facilities (see Note 6).

The Manager's objectives for capital management are described in the Scheme's Statement of Investment Policy and Objectives (SIPO), which is lodged on the Disclose Register. These include ensuring that the Scheme continues as a going concern, manages distributions to investors and holds cash reserves for any forecast capital expenditure. In addition to the objectives listed in the SIPO, under the terms of the Scheme's borrowing facility agreements, the Scheme is required to comply with the banking covenants listed in Note 6.

The Manager from time-to-time will consider capital management initiatives, such as changing the level of distributions paid, increasing the borrowing facility limits for capital expenditure requirements or raising additional equity. These are communicated with unitholders if and when they occur.

Note 11: Equity

The Scheme's securities are considered to be managed investment products in accordance with the FMCA.

The Scheme originally comprised 38,500,000 units of \$1 each. No further units have been issued and none have been repurchased.

Each unit confers equal rights and obligations in respect of entitlements to income and capital of the Scheme; and one vote in respect of matters on which investors are entitled to vote in accordance with the terms of the Governing Document. The managed investment products do not include any contractual obligation to deliver an asset to its unitholders on demand.

NOTES TO THE FINANCIAL STATEMENTS

Distributions made to investors for the periods are detailed in the following table:

2021	Annualised per unit	Monthly per unit	Monthly for Scheme	Total for period
	\$	\$	\$	\$
Period covered				
1 October 2020 to 31 March 2021	0.0600	0.0050	192,500	1,155,000
				1,155,000

Note 12: Related parties

Centuria Funds Management (NZ) Limited (previously known as Augusta Funds Management Limited), was engaged as the Manager of the Scheme for the period ended 31 March 2021. Centuria Funds Management (NZ) Limited is a wholly owned subsidiary of Centuria Capital (NZ) No.1 Limited, which is ultimately 100% owned by Centuria Capital Limited.

The directors of Centuria Funds Management (NZ) Limited for the period were as follows:

Mark Francis

Mark Petersen

John McBain (appointed as a director on 10 August 2020 and appointed as an alternate director for Jason Huljich on 22 December 2020)

Jason Huljich (appointed as a director on 22 December 2020)

Michael Steur (appointed as a director on 22 December 2020)

Bryce Barnett (appointed as an alternate director for Mark Francis on 22 December 2020)

Paul Duffy (resigned as a director on 30 November 2020)

Kevin Murphy (resigned as a director on 30 November 2020)

On 7 September 2020, Centuria Capital Limited completed its takeover of the parent company of the Manager, Augusta Capital Limited (now known as Centuria Capital (NZ) No.1 Limited). On 7 April 2021, the Manager's name changed from Augusta Funds Management Limited to Centuria Funds Management (NZ) Limited.

Bryce Barnett is a non-beneficiary trustee of a trust that holds 50,000 units in the Scheme and received a share of the distributions disclosed in the equity note.

The following fees were paid to the Manager in accordance with the Scheme's Governing Document during the accounting period.

	2021
	\$
Scheme management fees	141,883
Offeror fee	1,995,000
Interest on Anglesea Medical Centre deposit	76,548
Performance fees	149,222
	2,362,653

The interest on Anglesea Medical Centre deposit relates to interest incurred by Centuria Funds Management (NZ) Limited on debt drawn to fund the deposit paid on 20 January 2020 for the acquisition of the property. This is based on an interest rate of 4.00% per annum for the period ending on the date of settlement, being 30 September 2020.

NOTES TO THE FINANCIAL STATEMENTS

Total fees charged by the Manager outstanding at balance date are \$219,856. Costs paid by the Manager on behalf of the Scheme and then recharged to the Scheme outstanding at balance date are \$68,338.

Centuria Capital (NZ) No.1 Limited acquired a 10% unit holding as part of the Offer. The distribution paid to Centuria Capital (NZ) No.1 Limited reflects a 10% unit holding.

	2021 \$
Distributions	115,500
	115,500

There have been no other transactions with related parties during the year. Related party balances are unsecured and there are no guarantees given or received.

Note 13: Operating leases

The Scheme's investment property had the following minimum lease payments receivable under non-cancellable operating leases:

	2021 \$
Not later than one year	3,055,756
Between one and two years	2,688,443
Between two and three years	2,211,223
Between three and four years	2,010,541
Between four and five years	1,509,236
Later than five years	2,840,089
	14,315,288

There are several leases to multiple tenants. The rent review mechanisms and frequency vary for each lease. Some leases have renewal dates whereby the lessee has the right to renew for an agreed term. The minimum lease payments receivable reflect the minimum lease terms and do not include any options for renewal due to the uncertainty as to whether the options will be exercised. The figures above also exclude the recovery of rates and insurance disclosed under lease income in accordance with NZ IFRS 16 since this is a variable lease payment that does not depend on an index or rate. At balance date the weighted average lease expiry was 3.9 years.

The main risk retained by the Scheme from its tenant relates to material damage. This is managed through insurance and regular inspection and maintenance.

ACCOUNTING POLICY - OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Note 14: Capital commitments

The Scheme has a capital commitment to purchase the property located at 26 Clarence Street, Hamilton for \$6,446,923 on 7 May 2021.

Note 15: Contingent liabilities

The Scheme has no material contingent liabilities at balance date.

NOTES TO THE FINANCIAL STATEMENTS

Note 16: Subsequent events

On 7 April 2021, the Manager's name changed from Augusta Funds Management Limited to Centuria Funds Management (NZ) Limited. On 8 April 2021, the Scheme name changed from Augusta Property Fund to Centuria NZ Property Fund.

On 7 May 2021, the Scheme settled the acquisition of the property located at 26 Clarence Street, Hamilton for a purchase price of \$6,446,923 which was funded by debt drawn down on the syndicated loan facility.

On 31 March 2021, the Scheme signed a conditional sale and purchase agreement for the property located at 196 Roydvale Ave, Christchurch for a purchase price of \$9,200,000. On 4 June 2021, the purchase went unconditional. On 9 June 2021, the Scheme paid a deposit of \$460,000 towards this acquisition. Settlement is scheduled for 29 October 2021.

Note 17: Comparison to the prospective financial information

	Actual 2021 \$	Forecast 2021 \$
Statement of comprehensive income		
Rental income	1,587,947	1,609,806
Non-recoverable property operating expenses	(91,246)	(117,008)
Scheme expenses	(379,257)	(268,308)
Net finance expenses	(342,266)	(378,443)
Change in fair value of investment property	1,069,514	(536,240)
Total comprehensive income	1,844,692	309,807
Statement of financial position		
Current assets	2,695,672	308,859
Non current assets	55,010,332	56,073,808
Current liabilities	(1,504,838)	(328,423)
Non current liabilities	(19,585,248)	(23,834,074)
Net assets (equity)	36,615,918	32,220,170
Statement of cash flow		
Net cash flow from operating activities	1,524,888	669,014
Net cash flow from investment activities	(55,917,634)	(56,238,648)
Net cash flow from financing activities	54,542,453	55,879,193
Net increase in cash held	149,707	309,559
Cash and cash equivalents at start of period	-	-
Cash and cash equivalents at end of period	149,707	309,559

Total comprehensive income is higher compared with the prospective financial information (PFI). This was mainly due to a positive movement in the fair value of investment property whereas a negative movement was allowed for in the PFI.

The actual statement of financial position compared with the PFI resulted in higher net assets. This was mainly due to raising an additional \$3 million of investor equity which reduced the amount of debt required on settlement and the \$1.7 million increase in the value of the investment property which is made up of the \$54.99 million classified in non current assets and the \$1.71 million retention funds for seismic works classified in current assets.

The actual net change in cash held compared with the PFI resulted in lower cash held as at 31 March 2021. This was primarily due to the timing of seismic works expenditure and retention fund drawdowns compared to what was assumed in the PFI.



Independent auditor's report

To the unitholders of Centuria NZ Property Fund (the Scheme)

Our opinion

In our opinion, the accompanying financial statements of the Scheme present fairly, in all material respects, the financial position of the Scheme as at 31 March 2021, its financial performance and its cash flows for the period of 8 months and 19 days (the period) then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Scheme's financial statements comprise:

- the statement of financial position as at 31 March 2021;
- the statement of comprehensive income for the period then ended;
- the statement of changes in equity for the period then ended;
- the statement of cash flow for the period then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

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

Independence

We are independent of the Scheme in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We have provided the following assurance service to Centuria Funds Management (NZ) Limited (the Manager): investigating accountants' report on the prospective financial information of the Scheme. This service has not impaired our independence as auditor of the Scheme. Other than in our capacity as auditor, we have no other relationships with, or interests in, the Scheme.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
<p>Valuation of investment property Refer to note 5 of the financial statements.</p> <p>The Scheme's investment property comprises a commercial property carried at \$55.0 million as at 31 March 2021.</p> <p>The valuation of the investment property is inherently subjective. A small difference in any one of the key market input assumptions could result in a material misstatement of the valuation of investment property. Given this subjectivity and the significance of investment property to the Scheme, this is a key audit matter.</p> <p>The valuation was carried out by an external independent property valuer. The valuer performed their work in accordance with the International Valuation Standards and the Australia and New Zealand Valuation and Property Standards. The valuer used has recent experience in the location and category of the property being valued.</p> <p>In determining the property's valuation, the valuer considers property-specific information such as current tenancy agreements and rental income earned by the asset.</p> <p>They then apply assumptions in relation to capitalisation rate, assessed net market rent, discount rate and terminal yield, based on available market data and transactions, to arrive at a range of valuation outcomes, from which they derive a point estimate.</p> <p>The valuation point estimate of \$56.7 million is reduced by \$1.7 million of retentions from the amount paid to purchase the property that are separately recognised as current assets.</p>	<p>The valuation of investment property is inherently subjective given that there are alternative assumptions and valuation methods that may result in a range of values.</p> <p>We considered the adequacy of the disclosures made in note 5 to the financial statements. This note explains that there is significant estimation uncertainty in relation to the valuation of investment property. We discussed with management and obtained sufficient appropriate audit evidence to demonstrate that management's assessment of the suitability of the inclusion of the valuation in the balance sheet and disclosures made in the financial statements was appropriate.</p> <p>In assessing the valuation we performed the procedures outlined below:</p> <ul style="list-style-type: none">• agreed property-specific information supplied to the valuers by the Manager to the underlying property records held by the Manager.• held discussions with the valuer to gain an understanding of the assumptions and estimates used and the valuation methodology applied,• compared valuation metrics used by the valuer to recent market activity,• assessed the valuer's qualifications, expertise and their objectivity,• considered whether or not there was bias in determining the valuation.



Our audit approach

Overview

Materiality	<p>We determined materiality for the Scheme. Overall materiality:</p> <ul style="list-style-type: none">• \$38,750, which represents approximately 5% of profit before tax, excluding the change in fair value of investment property. <p>We chose this benchmark because, in our view, it is reflective of the metrics against which the performance of the Scheme is most commonly measured.</p>
Key audit matters	<p>As reported above, we have one key audit matter, being:</p> <ul style="list-style-type: none">• Valuation of investment property

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements of the Scheme as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the financial statements of the Scheme as a whole.

How we tailored our audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements of the Scheme as a whole, taking into account the structure of the Scheme, the accounting processes and controls and the industry in which the Scheme operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of the financial statements of the Scheme in accordance with NZ IFRS and IFRS, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Scheme or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-2/>

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Scheme's unitholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Scheme's unitholders, as a body, for our audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Philip Taylor.

For and on behalf of:

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

Chartered Accountants
14 July 2021

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