Centuria

Industrial REIT
Annual Report 2021

Contents

The artwork on the cover of this report was commissioned by Centuria and created by Toby Bishop, a young Kungarakan artist who lives on the South Coast of NSW. The design uses dots and lines to represent tracks and journeys. It depicts people walking in similar directions towards a positive future.

Australia's largest domestic ASX listed pure play industrial REIT

KEY FACTS

ASSETS CHARACTERISED BY:

In-fill locations close to key infrastructure

Fit-for-purpose – attracting quality tenants

Value-add initiatives illustrate hands-on, active management via:

LEASING

REFURBISHMENTS

ASSET REPOSITIONING

DEVELOPMENT

Included in the S&P/ASX 200 Index and FTSE EPRA Nareit Global Developed Index

42 HOEPNER ROAD, BUNDAMBA, QLD

About us

Centuria Industrial REIT (ASX: CIP) is a real estate investment trust (REIT). Centuria Property Funds No. 2 Limited (CPF2L), is the Responsible Entity for CIP and is a wholly owned subsidiary of Centuria Capital Group (ASX:CNI or "Centuria"). Centuria is included in the S&P/ASX200 Index and is a specialist, external funds manager with more than $17billion of assets under management across Australasia.

Centuria specialises in real estate sectors including industrial, healthcare, decentralised office, agriculture, large-format retail and daily-needs retail.

Its suite of investment products includes listed and unlisted real estate funds across debt and equity markets. Additionally, Centuria provides investment bond options.

CIP is Australia's largest domestic pure-play industrial REIT with 62 high-quality assets worth more than $2.9billion, as at 30 June 2021. It commenced FY22 with further portfolio expansion to 67 assets worth $3.1billion[1]. CIP's assets are positioned in key urban in-fill locations lending themselves to last-mile fulfillment with easy access to densely populated areas and proximity to major infrastructure such as arterial roads, rail freight lines, seaports and airports. CIP has a highly diversified portfolio with geographically disbursed assets, varying customer profiles and a broad spread across industrial sub-sectors including manufacturing, distribution centres, transport logistics centres, data centres and cold storage facilities.

During FY21, CIP was included in the S&P/ASX 200 Index as well as FTSE EPRA Nareit Global Developed Index, the latter enabling the REIT to be more easily compared with international peers.

FY21 was a year of substantial growth for CIP, securing 18 industrial acquisitions worth $966million and leasing nearly 240,000 sqm across 33 transactions, equating to 22% of the portfolio's gross lettable area (GLA). The REIT maintained a high 96.9% portfolio occupancy and long 9.6-year weighted average lease expiry (WALE). Its portfolio benefitted from a $587million valuation uplift, which underpinned net tangible assets (NTA) of $3.83 per unit as at 30 June 2021, a 36% increase during FY21. This, combined with distributions of 17.0cpu, delivered a Return on Equity of 41.8% to unitholders throughout the financial year.

Centuria remains CIP's largest unitholder with a 17.1% co-investment as at 30 June 2021.

CENTURIA CAPITAL (CNI) FUNDS MANAGEMENT PLATFORM

$17.4bn GROUP AUM

$16.5bn REAL ESTATE AUM[2]

$5.5bn LISTED REAL ESTATE

- **$3.1bn** CENTURIA INDUSTRIAL REIT ASX:CIP
- **$2.1bn** CENTURIA OFFICE REIT ASX:COF
- **$0.3bn** ASSET PLUS LIMITED NZX:APL

$11.0bn UNLISTED REAL ESTATE

- **$7.9bn** SINGLE ASSET FUNDS
- **$1.6bn** MULTI ASSET FUNDS
- **$1.5bn** MULTI ASSET OPEN END FUNDS

$0.9bn INVESTMENT BONDS

- CENTURIA LIFE
- CENTURIA INVESTMENT BONDS
- GUARDIAN FRIENDLY SOCIETY

Note: AUM as at 30 June 2021. All figures above are in Australian dollars (currency exchange ratio of AU$1.000:NZ$1.0753)
Numbers presented may not add up precisely to the totals provided due to rounding

1 Portfolio including 95-105 South Gippsland Highway, Dandenong South VIC as if complete

2 Includes commenced development projects valued on an as if completed basis, cash and other assets, assets exchanged but not settled

VISION

To be Australia's leading domestic pure play industrial REIT

A CLEAR AND SIMPLE STRATEGY

Deliver income and capital growth to investors from a portfolio of high quality Australian industrial assets

CENTURIA INDUSTRIAL REIT IS

AUSTRALIA'S LARGEST DOMESTIC ASX-LISTED PURE PLAY INDUSTRIAL REIT

OVERSEEN BY AN ACTIVE MANAGEMENT TEAM WITH DEEP REAL ESTATE EXPERTISE

STRONGLY SUPPORTED BY CENTURIA GROUP

KEY OBJECTIVES

PORTFOLIO CONSTRUCTION
A portfolio of high quality Australian industrial assets diversified by geography, sub-sector, tenants and lease expiry

ACTIVE MANAGEMENT
Focus on 'fit for purpose' assets that align to the needs of our high quality customers to ensure high retention and occupancy

UNLOCK OPPORTUNITIES TO CREATE FURTHER VALUE
Reposition assets and execute value-add initiatives to maximise returns for unitholders

CAPITAL MANAGEMENT
A robust and diversified capital structure with appropriate gearing

TELSTRA DATA CENTRE COMPLEX, CLAYTON, VIC

Key Metrics

as at 30 June 2021

PORTFOLIO

62	96.9%	$2.9bn	9.6yrs
High quality assets	Portfolio occupancy[1]	Portfolio value	Portfolio WALE[1]

1 By income

FOCUS

A quality portfolio of fit-for-purpose industrial assets situated within in-fill locations and close to key infrastructure.

FINANCIAL

$3.83
Net Tangible Assets per unit

41.8%
12-month Return On Equity[2]

99%
Average rent collections
July 2020 to June 2021

27.8%
Gearing[3]

$2.1bn
Market Capitalisation[4]

6.3x
Interest Cover Ratio
Covenant of 2x

2 Return on equity calculated as (closing NTA minus opening NTA plus distributions) divided by opening NTA
3 Gearing is defined as total borrowings less cash divided by total assets less cash and goodwill
4 As at 30 June 2021

8 LEXINGTON DRIVE, BELLA VISTA, NSW

Letter from the Chairman & Fund Manager

ROGER DOBSON
Chairman

JESSE CURTIS
Fund Manager

Australia's largest domestic pure play industrial REIT

Dear unitholders,

It is our pleasure to provide Centuria Industrial REIT's (ASX: CIP) 2021 Annual Report, which illustrates substantial growth via strategic acquisitions, significant leasing activity and substantial valuation gains, which reflect the high-quality underlining assets in the REIT's portfolio.

TRANSACTIONS

During FY21, CIP secured a record 18 industrial acquisitions worth $966million, growing the portfolio to 62 high-quality assets worth more than $2.9billion. The REIT has since begun FY22 with the portfolio further expanding to 67 assets worth $3.1billion[1], double its portfolio value from $1.6billion as at 30 June 2020.

Acquisitions include $631million worth of assets across two new high conviction industrial sub-sectors, Data Centres and Cold Storage, as well as $335million worth of urban infill logistics acquisitions. All acquisitions were secured within Australia's tightly-held eastern seaboard markets. Additionally, 78% of acquisitions were off-market opportunities, illustrative of the manager (Centuria's) extensive market relationships.

During FY21, CIP recycled capital with the divestment of 136 Zillmere Road, Boondall QLD for $39.6million, reflecting a premium to the prior book value.

ACTIVE PORTFOLIO MANAGEMENT

CIP also benefited from strong leasing activity throughout FY21, leasing more than 239,950sqm across 33 transaction, equating to 22% of the portfolio's GLA. Major long-term leasing transactions were undertaken with the likes of Woolworths and Visy. Increased tenant demand and record low national vacancy rates, propelled by the continued rise of e-commerce, positively impacted the industrial property market throughout the year.

As at 30 June 2021, 51% of the REIT's gross income is derived from its top 10 tenant customers. CIP continued to provide strong tenant covenants with 95% of rental income credited to fixed or CPI-linked rent reviews. 25% of income derived from Triple-Net leases, reducing capital expense leakage.

CIP's portfolio further diversified into the data centre and cold storage markets, adding to its existing submarket composition across manufacturing, distribution centres, and transport logistics centres. Currently, 34% of income is sourced from non-discretionary, food distribution and cold storage operators. CIP has a staggered lease expiry profile with no more than 13% of portfolio income expiring in any single year throughout the next four years

The REIT maintained occupancy at 96.9% and WALE increased to 9.6 years (from 7.2 years, 30 June 2020). The quality of CIP's portfolio was illustrative with more than a half-billion-dollar valuation uplift ($587million) during FY21. Valuation uplift was driven by heightened competition and investment demand for industrial and logistics assets with elevated transaction volumes setting new benchmarks for major asset and portfolio sales as well as significant leasing results achieved across the portfolio.

UNLOCKING VALUE-ADD INITIATIVES

CIP delivered a brand new prime-grade industrial development at 42 Hoepner Road, Bundamba QLD, which achieved a Five-Star Green Star Design and As-Built rating under the Green Building Council Australia's (GBCA) new v1.3 guidelines.

During FY22, CIP will continue to execute on select value-add projects having commenced a sustainable six-tenancy industrial estate at 95-105 South Gippsland Highway, Dandenong VIC, which is targeted to also achieve a Five-Star Green Star rating.

MARKET RECOGNITION

During FY21, CIP was included in the S&P/ASX 200 Index as well as the FTSE EPRA Nareit Global Developed Index, the latter offering domestic and international investors with another transparent and efficient means for comparing CIP to global real estate peers. .

FY21 FINANCIAL RESULTS

During FY21, CIP reported a $611.2million statutory profit, this strong result was underpinned by $91.4million in Funds from Operations (FFO) or 17.6cpu, in line with upgraded guidance and $523million of valuation uplift. Total distributions of 17.0cpu were also delivered in line with guidance. NTA increased 36% to $3.83 per unit as at 30 June 2021 (FY20: $2.82). Total unitholder return throughout FY21 was a healthy 24.8% while return on equity (ROE) was a strong 41.8%. Portfolio Weighted Average Capitalisation Rate (WACR) compressed 151bps from 6.05% to 4.54% during FY21.

CAPITAL MANAGEMENT

During FY21, CIP maintained a strong balance sheet with gearing at 27.8%, the low end of its target range, and a $274million debt headroom, which is complemented by a 6.3 times ICR (covenant of 2.0 times) and loan to value ratio 31.8% (covenant 55%).
CIP maintains a staggered and diverse debt profile with no debt maturing before FY23 and a weighted average debt maturity of 3.1 years.

GOVERNANCE & SUSTAINABILITY

During FY21, CIP increased its focus on Environment, Social and Governance (ESG) initiatives with further diversification across its Responsible Entity Board, following the appointment of Jennifer Cook as Independent Non-Executive Director. CPF2L has 40% female representation.

Environmental initiatives include more than 5,000 individual solar panels installed across CIP's portfolio, preventing over 6,000 tonnes of carbon being released in FY21. CIP is committed to developing sustainable industrial assets with recent developments targeting Five-Star Green Star Design and As-Built rating.

1 Portfolio including 95-105 South Gippsland Highway, Dandenong South VIC as if complete

Letter from the Chairman & Fund Manager

By the REIT's nature, it has no staff and is solely a portfolio of assets. CPF2L is the responsible entity for CIP and a wholly owned subsidiary of Centuria Capital Group. CIP aligns itself to Centuria's sustainability approach. The CPF2L Board is acutely aware of CIP's ESG responsibilities and support the initiatives being actioned by Centuria Capital. Throughout FY21, sustainable initiatives employed by Centuria include a commitment to its first Sustainability Report, which will be released later in 2021 and will address responses to the Task Force on Climate Related Financial Disclosure recommendations. Other initiatives and sustainability highlights during FY21 include:

- Establishing Centuria's Culture and ESG Board Committee;
- Releasing Centuria's first Modern Slavery Statement;
- Completing employee and tenant engagement surveys where 94% of employees expressed enjoyment working at Centuria, and 91% of tenants recommend Centuria; and
- Retaining Centuria membership to the Diversity Council of Australia.

SUMMARY & OUTLOOK

Australia's industrial real estate market continues to strengthen from increased adoption of e-commerce and demand from tenants onshoring operations, resulting in record low vacancy rates creating robust competition for quality industrial and logistics assets.

During FY22, CIP's focus centres on building critical mass in key urban infill markets and, through acquisitions, leasing and value-add projects, the REIT aims to deliver long-term sustainable income streams and capital growth to unitholders.

As Australia's largest domestic pure play industrial REIT, CIP maintains a consistent strategy: to deliver long-term secure income and capital growth to unitholders from a large-scale portfolio of high-quality Australian industrial assets

CIP provides FY22 FFO guidance of no less than 18.1 cents per unit and distribution guidance of 17.3 cents per unit with distributions paid in equal quarterly instalments.

We thank CIP unitholders for your on going support and look forward to updating you further in FY22.

Yours sincerely,

ROGER DOBSON
CHAIRMAN

JESSE CURTIS
FUND MANAGER

FY21 results

FINANCIAL SNAPSHOT		FY21	FY20
Statutory profit / (loss)	($m)	611.2	75.3
Statutory profit / (loss) per unit	(cpu)	117.7	22.5
Funds from operations[1]	($m)	91.4	63.5
Funds from operations per unit	(cpu)	17.6	18.9
Distribution	($m)	91.9	65.3
Distribution per unit	(cpu)	17.0	18.7
Annualised distribution yield[2]	(%)	4.6	5.9
Return on equity[3]	(%)	41.8	10.1

BALANCE SHEET METRICS		FY21	FY20
Investment Properties	($m)	2,945.1	1,602.4
Total Assets	($m)	3,105.9	1,635.8
Total Liabilities	($m)	983.6	496.7
Net Assets	($m)	2,122.3	1,139.0
Units on Issue	(m)	551.8	400.3
NTA per unit[4]	($)	3.83	2.82
Gearing[5]	(%)	27.8	27.2

1 FFO is the Trust's underlying and recurring earnings from its operations. This is calculated as the statutory net profit adjusted for certain non-cash and other items
2 Annualised yield based on CIP unit closing price of $3.72 on 30 June 2021 and $3.17 on 30 June 2020
3 Return on equity calculated as (closing NTA minus opening NTA plus distributions) divided by opening NTA
4 NTA is calculated as net assets less goodwill divided by closing units on issue
5 Gearing is defined as interest bearing liabilities less cash divided by total assets less cash

TELSTRA DATA CENTRE COMPLEX, CLAYTON, VIC

Senior Management

Jason Huljich

JOINT CEO

Jesse Curtis

HEAD OF INDUSTRIAL & FUND MANAGER CENTURIA INDUSTRIAL REIT

Michael Ching

ASSISTANT FUND MANAGER CENTURIA INDUSTRIAL REIT

Ross Lees

HEAD OF FUNDS MANAGEMENT

Anna Kovarik

GROUP CHIEF RISK OFFICER & COMPANY SECRETARY

Ara Galstian

DEPUTY CFO LISTED

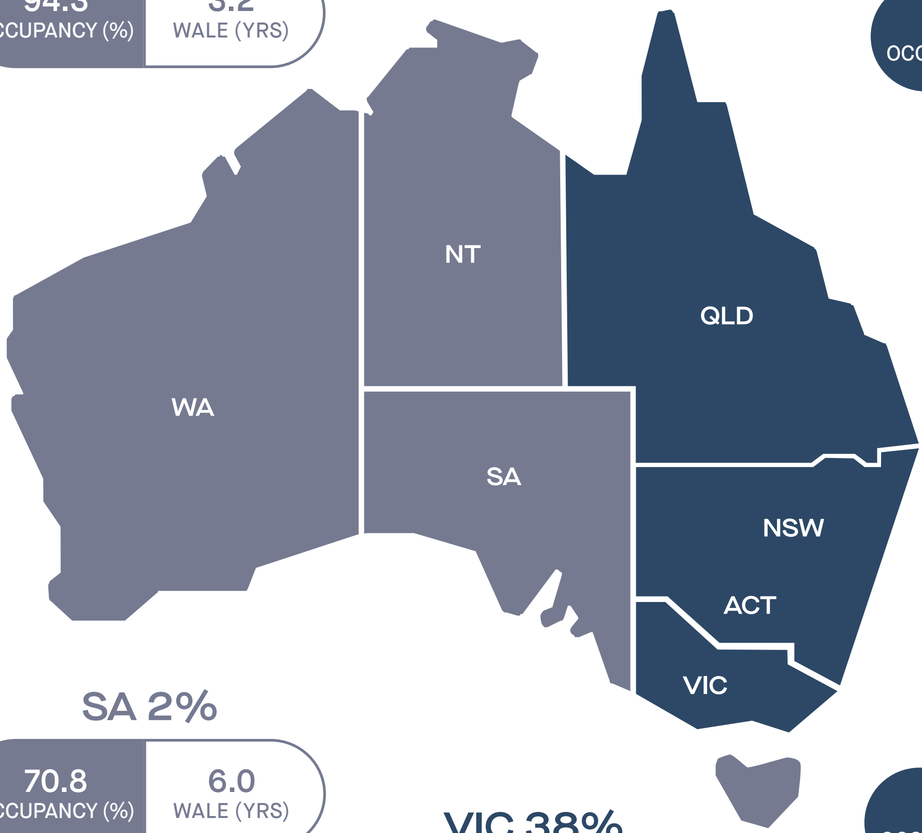
Tim Au-Yeung

FINANCE MANAGER

Portfolio overview

As at 30 June 2021

PORTFOLIO WEIGHTING



	Occupancy (%)	WALE (yrs)
WA 7%	94.3	3.2
QLD 26%	95.7	11.7
NSW 26%	100	5.7
SA 2%	70.8	6.0
ACT 1%	100	6.0
VIC 38%	98.2	13.0

TOP 10 TENANT CUSTOMERS

	Telstra	Arnott's	Woolworths	AWH	VISY
Rank	1	2	3	4	5
% of total	12%	10%	5%	5%	4%
Assets	1	2	2	2	3
WALE	29.2	26.1	10.3	4.1	6.1

	Scott's Refrigerated	Green's	Bidfoods	API	Opal ANZ
Rank	6	7	8	9	10
% of total	4%	4%	3%	3%	2%
Assets	2	2	1	1	2
WALE	5.3	7.8	6.1	3.4	5.9

NEW TENANT CUSTOMERS ADDED IN FY21

Exposure to the major Industrial sub-sectors

MANUFACTURING	DISTRIBUTION CENTRES	TRANSPORT LOGISTICS	DATA CENTRES	COLD STORAGE
29%	29%	16%	17%	9%
PORTFOLIO VALUE	PORTFOLIO VALUE	PORTFOLIO VALUE	PORTFOLIO VALUE	PORTFOLIO VALUE


VIRGINIA


WARNERVALE


DERRIMUT


CLAYTON


GIRRAWEEN

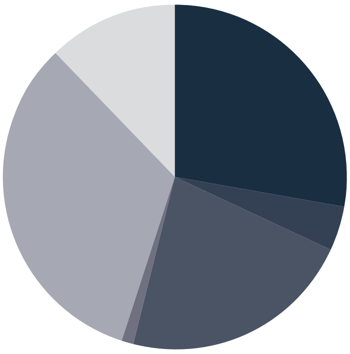

WARWICK FARM


DERRIMUT


CHULLORA


PARKINSON

TENANT INDUSTRY SECTOR DIVERSIFICATIONS[1]



- **28%** ASX Listed
- **4%** Listed Multinational
- **22%** Multinational
- **1%** Government
- **33%** National
- **12%** Other

1 By income

63%
Of portfolio income derived from tenant customers directly linked to the production, packaging and distribution of consumer staples, pharmaceuticals and telecommunications

34%
Of income derived from non discretionary, food distribution and cold storage operators

95%
Of leases are fixed review or CPI linked

92%
Of leases are net of triple net leases

25%
Of income from triple net leases

$966 million of transformative industrial acquisitions[1]

FY21 ACQUISITIONS

$26.3m

8 LEXINGTON DR,
BELLA VISTA, NSW

$12.5m

35 CAMBRIDGE ST,
COORPAROO, QLD

$88.8m

95-105 S GIPPSLAND HW,
DANDENONG SOUTH, VIC

$33.5m

160 NEWTON RD,
WETHERILL PARK, NSW

$27.0m

29 PENELOPE CRESCENT,
ARNDELL PARK, NSW

$14.0m

51-73 LAMBECK DRIVE,
TULLAMARINE, VIC

$20.0m

140 FULTON DRIVE,
DERRIMUT, VIC

$16.4m

144 HARTLEY RD,
SMEATON GRANGE, NSW

ASSETS NOT SHOWN

$16.5m	179 STUDLEY COURTDERRIMUT, VIC
$20.8m	513 MOUNT DERRIMUT ROAD, DERRIMUT, VIC
$37.1m	110 NORTHCORP BOULEVARD, BROADMEADOWS, VIC
$15.5m	40 SCANLON DRIVE, EPPING, VIC
$7.0m	85 FULTON DRIVE, DERRIMUT, VIC

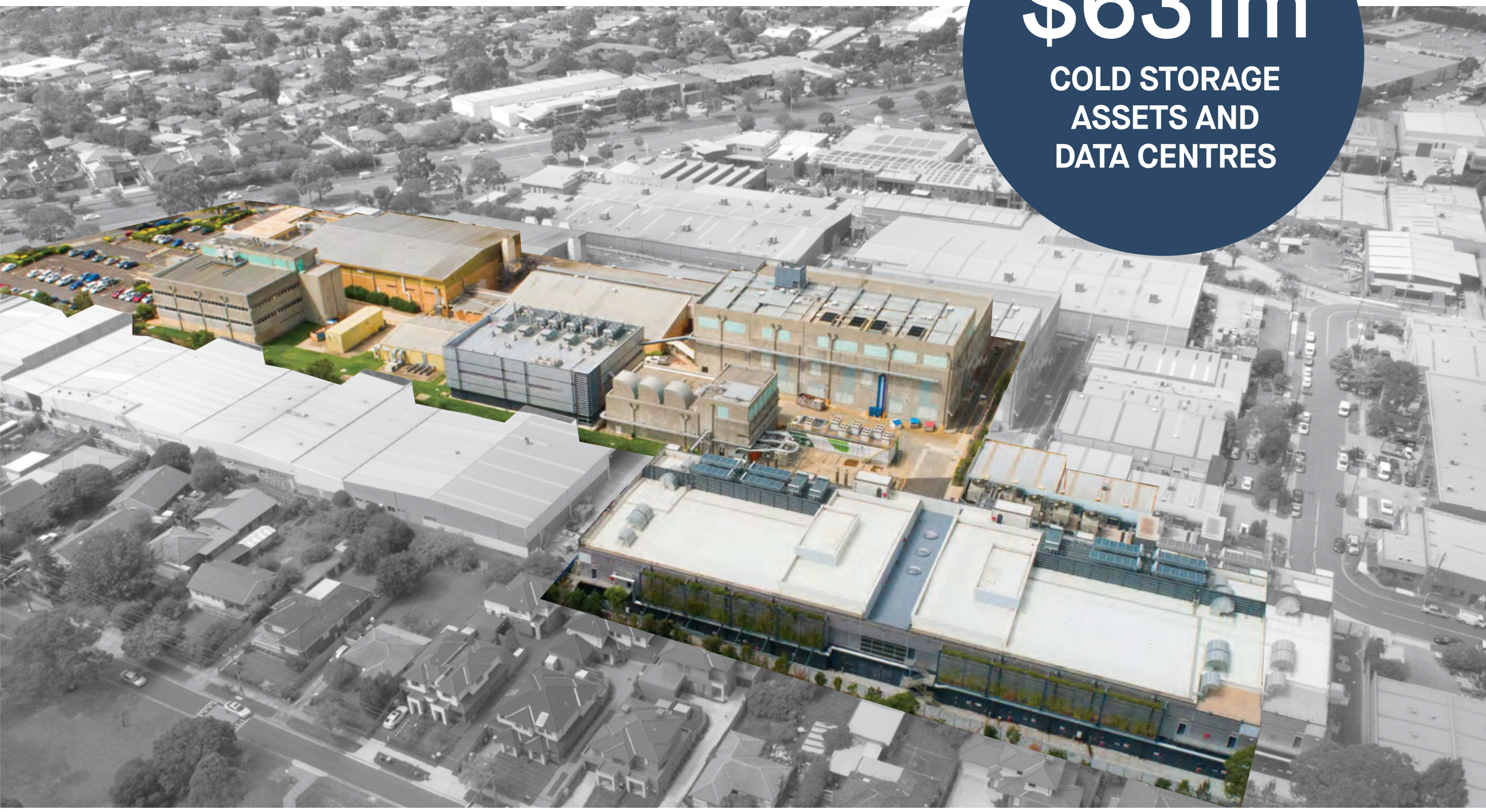
$335m

URBAN INFILL LOGISTICS ASSETS

1 Before transaction costs. Includes assets exchanged but not settled as at 30 June 2021. 95-105 South Gippsland Highway, Dandenong South development as is complete value

$631m

COLD STORAGE ASSETS AND DATA CENTRES



TELSTRA DATA CENTRE, CLAYTON, VIC

August 2020

Triple net lease structure

$416.7m
Acquisition price

100%
Occupancy by income

30.0yrs
WALE by income
As at August 2020

$73.1m

67-69 MANDOON RD, GIRRAWEEN, NSW

$43.0m

1 LAHRS RD, ORMEAU, QLD

$49.0m

45 FULTON DR, DERRIMUT, VIC

$49.0m

60-80 SOUTHLINK ST PARKINSON, QLD

$587 million valuation uplift in FY21

DRIVING **NTA PER UNIT** INCREASE OF **36%**[1]

WACR[3] REDUCED TO **4.54%**

PORTFOLIO VALUATION SUMMARY[1,2]

STATE	FY21 VALUATION	FY20 VALUATION	VALUATION MOVEMENT[4]	FY21 WACR[3]	FY20 WACR[3]	MOVEMENT WACR[3]
LIKE FOR LIKE PORTFOLIO / WEIGHTED AVERAGE	**1,989.9**	**1,565.6**	**424.3**	**4.81%**	**6.06%**	**(1.25%)**
Acquisitions	921.5	-	921.5	3.93%	-	-
Divestments	-	32.5	(32.5)		6.50%	-
Developments	33.7	4.3	29.4	5.25%	-	-
TOTAL PORTFOLIO / WEIGHTED AVERAGE	**2,945.1**	**1,602.4**	**1,342.7**	**4.54%**	**6.05%**	**(1.51%)**

$424m
Portfolio valuation gain[1,2]

$149m
Revaluation gain[1,2]
from FY21 acquisitions

$587m
Total revaluation gain[1,2]

KEY VALUATION MOVEMENTS

77% valuation increase following the new 10-year lease extension to Visy

37-51 SCRIVENER ST, WARWICK FARM

51% valuation increase following the new 10-year lease extension to Woolworths

2 WOOLWORTHS WAY, WARNERVALE, NSW

38% valuation increase since acquisition, demonstrating CIP's ability to identify relative value acquisitions

ARNOTT'S PORTFOLIO

1 Past performance is not a reliable indicator of future performance
2 Reflects gross increase. Excludes capital expenditure incurred
3 Weighted average capitalisation rate
4 Reflects gross increase, excluding capital expenditure incurred

Leasing outcomes delivered across 22% of CIP's portfolio

54,000sqm renewal to Woolworths, 10-year term

2 WOOLWORTHS WAY, WARNERVALE, NSW

28,000sqm renewal to Visy, 10-year term

37-51 SCRIVENER ST, WARWICK FARM NSW

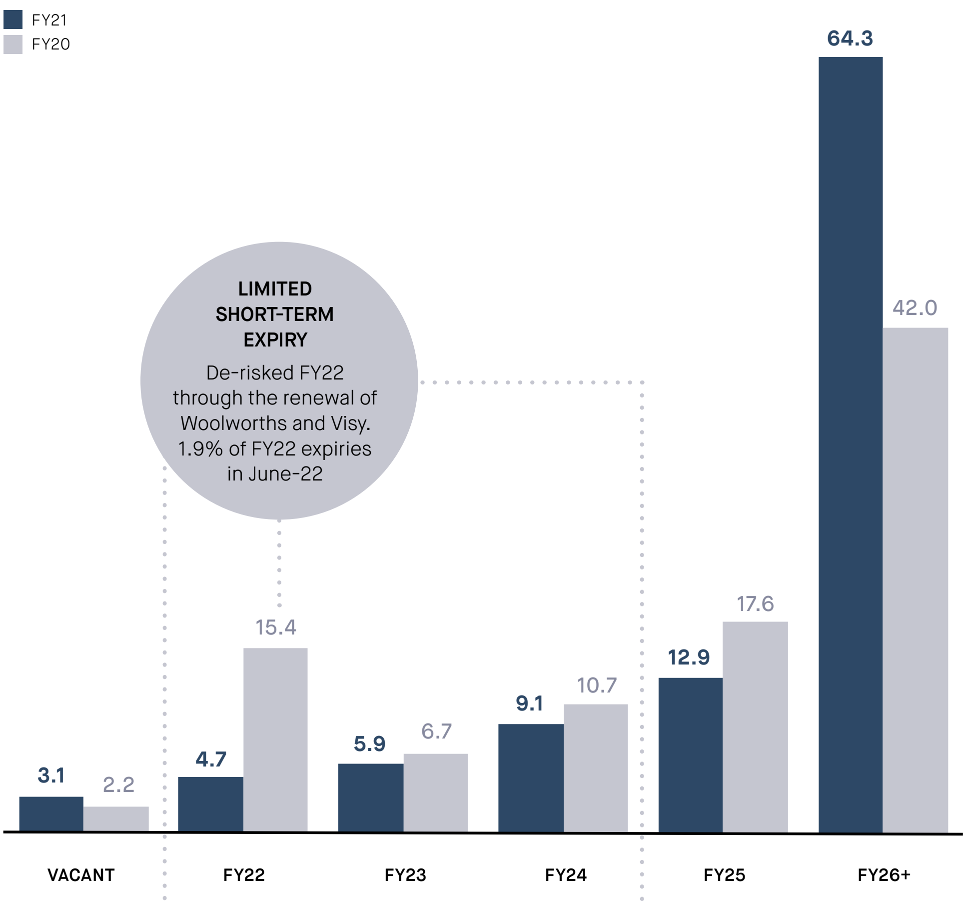
17,000sqm renewal to Buzz Supplies, New 8-year term following early surrender negotiations from prior tenants

14-17 DANSU COURT, HALLAM VIC

10,000sqm leased across two tenancies, no downtime from prior tenant extending asset WALE to 4.7 years

310 SPEARWOOD AVE, BIBRA LAKE WA

WEIGHTED AVERAGE LEASE EXPIRY (% BY INCOME)



TERMS AGREED[1]

239,950sqm
(22% of portfolio)

1 Includes heads of agreement (HOA)

DE-RISKING FORWARD EXPIRY PROFILE

Less than 11% of the portfolio expiring over the 24 months to 30 June 2023

LIMITED EXPIRY CONCENTRATION RISK

No single tenant exposure greater than 2.5% of portfolio income over the next 3 years

Asset repositioning initiatives

Asset repurposing and refurbishment to extend useful life

Leveraging strong customer appetite for urban infill logistics

Opportunities to increase income streams within CIP's portfolio

Optimising assets to support tenant operations

COMPLETED

160 Newtown Road, Wetherill Park, NSW

- July 2021 acquisition
- Short 0.9year WALE provided strategic leasing opportunity
- Engaged with existing customer to expand leased area
- Undertaking repositioning works to meet operational needs
- WALE increase to 7.2 years

46 Gosport Street, Hemmant, QLD

- Acquired as vacant possession
- Strategic Port Brisbane location
- Full refurbishment program completed
- Targeted leasing program underway

ACTIVE

8 Lexington Drive, Bella Vista, NSW

- Acquired in March 2021 with a 0.5 year WALE
- Repositioning opportunity to capitalise on strategic infill location and surrounding population catchment
- Strong tenant demand from last-mile users

Selective developments to unlock embedded value

DEPLOYMENT OF CENTURIA'S EXTENSIVE DEVELOPMENT CAPABILITY

ABILITY TO INTRODUCE BRAND NEW, HIGH QUALITY, MODERN ASSETS INTO THE PORTFOLIO

DEVELOPING SUSTAINABLE, FUTURE PROOFED ASSETS

PRUDENT MANAGEMENT OF DEVELOPMENT RISK. CIP REMAINS AN INCOME FOCUSED REIT

COMPLETED

21 Jay Street, Townsville, QLD

~5,700sqm expansion

Reset new Woolworths 12-year lease

42 Hoepner Road, Bundamba, QLD

Practical completion in June 2021

One of Australia's first Five-Star Green Star industrial developments under new rating system

ACTIVE

95-105 South Gippsland Hwy, Dandelong, VIC

~40,300sqm multi-unit industrial estate on a 8ha site at a total project cost of $88.8m

2022 target completion. Two-year rental guarantee on completion

Targeting a Five-Star Green Star rating

FUTURE OPPORTUNITY

74-94 Newton Rd, Wetherill Park, NSW

Low site cover of 33%

Opportunity to develop a new ~30,000sqm facility

Current GLA 16,962sqm
Current Book $39.0m

92-98 Cosgrove Rd, Enfield, NSW

Opportunity for a new industrial facility directly opposite Enfield Intermodal

Current GLA 20,050sqm
Current Book $63.4m

Sustainability at Centuria Capital

Centuria Industrial REIT is externally managed by Centuria Capital (ASX:CNI) and benefits from Centuria Capital's sustainability approach. Centuria Capital will be releasing its first Sustainability Report later this year. Highlights to be featured in this report are summarised here.

ENVIRONMENTAL

ESG REPORTING
Centuria Capital to release its first Sustainability Report

CLIMATE ACTION
Supports the recommendations of the TCFD

CENTURIA INDUSTRIAL REIT
42 HOEPNER RD, BUNDAMBA, QLD
One of Australia's first 5 Star Green Star Certified Industrial assets

SOCIAL

MEMBER
Of the Diversity Council of Australia

TENANT ENGAGEMENT[1]
91% of surveyed tenants would recommend Centuria as an asset manager

SPECIALISED HEALTHCARE REAL ESTATE UNDER MANAGEMENT
Completed $72.2m of social and affordable housing

EMPLOYEE ENGAGEMENT[2]
94% of employees enjoy working at Centuria

GOVERNANCE

BOARD DIVERSIFICATION
Appointment of 4 independent directors to Group and RE Boards

CENTURIA CAPITAL: Kristie Brown
(ASX:COF) **CPFL:** Nicole Green
(ASX:CIP) **CPFL2:** Jennifer Cook, Natalie Collins

CULTURE & ESG BOARD COMMITTEE ESTABLISHED[3]
Oversight of modern slavery, diversity & inclusion, climate change

FIRST MODERN SLAVERY STATEMENT DELIVERED
Over a third of cleaning contracts by value assessed using the Property Council of Australia Informed 365 platform Continued assessment in FY22

GENDER DIVERSITY AT CENTURIA
63% male employees | 37% female employees

EMPLOYEE TRAINING
- Code of Conduct
- Financial Education
- Cyber security

ARTIST IMPRESSION

1 Centuria Capital undertakes regular tenant surveys. The figure reported from the Group's FY21 survey
2 Centuria Capital undertakes regular employee engagement surveys The reported figure is from the Groups FY21 survey
3 The Centuria Culture and ESG Board Committee is chaired by Susan Wheeldon, Independent Non-Executive Director of Centuria Capital Limited

Over 5,000 individual solar panels installed across CIP's portfolio

Onsite solar generation avoided over 6,000 tonnes of carbon being released in FY21

42 HOEPNER ROAD, BUNDAMBA, QLD

One of Australia's first Five Star-Green Star industrial buildings

- Under the Green Building Council of Australia (GBCA) new V1.3 rating guidelines
- Leveraged Centuria's internal development capability
- Creating new development pipeline
- Enhanced product for Centuria's tenants
- Prime grade industrial facility
- 99kw solar system
- Onsite water harvesting for landscape irrigation
- Advanced building energy and water use metering
- Low embodied carbon concrete base, using recycled steel fibers, reducing steel reinforcement

Meet the Board of Directors

Roger Dobson

CHAIRMAN & INDEPENDENT NON-EXECUTIVE DIRECTOR

Roger has been an Independent Non-Executive Director of Centuria Property Funds No.2 Limited (CPF2L), the responsible entity of Centuria Industrial REIT (CIP), since October 2017 and was appointed Chairman of the Board in July 2020. He is also a member of CPF2L's Audit, Risk Management and Compliance Committee. He has extensive experience in large, complex restructuring and insolvency matters throughout Australia.

For more than a decade, Roger has represented main banking syndicates, offshore funds holding a substantial debt position, companies experiencing financial distress, liquidators, administrators, and receivers. His experience covers a diverse range of industries, including energy and resources, mining services, construction, engineering services, media and communications, investment banking and financial services, retail, manufacturing, and infrastructure.

Roger heads Jones Day's Business Restructuring & Reorganisation practice in Australia.

He holds a Master of Laws from Columbia University, NYC, and a Bachelor of Law from Adelaide University. He is a member of the Australian Restructuring Insolvency & Turnaround Association (ARITA) and INSOL International.

Jennifer Cook

INDEPENDENT NON-EXECUTIVE DIRECTOR

Jennifer is Managing Director of commercial property consultancy, Customer 360, working with major Australian businesses to develop place transformation strategies that deliver competitive advantage and growth. Her broad leadership experience extends across consumer and business-to-business markets, asset management, retail, major events and festivals, arts and culture, professional services and tourism.

Previous senior roles include AMP Capital Real Estate's Head of Customer Experience for the $10bn Australia and New Zealand retail portfolio, Urban Development Institute of Australia's (UDIA Qld) Director of Brand and Innovation, Associate Director of Brand Strategy for Fortune 500 company AECOM, and General Manager of Retail for Virgin Mobile.

Ms Cook is also on the advisory board member of sharing economy startup Vennu. She has a MBA from the University of Southern Queensland (USQ) and is a Graduate of the Australian Institute of Company Directors.

Jennifer currently sits on the following Centuria-related boards:

Centuria Property Funds No.2 Limited (Independent Non-Executive Director).

Nicholas Collishaw

NON-EXECUTIVE DIRECTOR

Nicholas has been a Non-Executive Director of Centuria Property Funds No.2 Limited, the responsible entity of Centuria Industrial REIT (CIP), since October 2017. Previously he was Centuria Capital's CEO of Listed Property Funds, joining in May 2013. Nicholas brings to the Boards more than 30 years experience across domestic and international real estate and investment markets.

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

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

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

Nicholas is also a Non-Executive Director of Centuria Capital Group, Centuria Property Funds Limited and Centuria Healthcare Asset Management Limited.

Following the reporting date, Nicholas resigned from the Centuria Property Funds No.2 Limited Board effective 30 August 2021.

Natalie Collins

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Natalie was Head of Emerging Ventures and Co-Founder of Amatil X, the corporate venture capital arm at Coca-Cola Amatil, established to leverage the global startup ecosystem to uncover disruptive business models and new technologies to drive growth.

Natalie started her career as an auditor with PwC and has since gained 20 years experience in global CPG/FMCG spanning finance, corporate strategy, supply chain, marketing, and innovation.

She holds a Bachelor of Economics (Accounting) from Macquarie University, and is a Graduate of the Australian Institute of Company Directors (GAICD).

Natalie currently sits on the following Centuria-related boards and committees:

- Centuria Property Funds No.2 Limited (Independent Non-Executive Director)
- Centuria Life Limited (Independent Non-Executive Director)
- Centuria Life Audit Committee member
- Centuria Life Risk & Compliance Committee member
- Guardian Friendly Society (Independent Non-Executive Director)
- Centuria Culture & ESG Committee member.

Peter Done

INDEPENDENT
NON-EXECUTIVE DIRECTOR

Peter has been an Independent Non-executive Director of Centuria Property Fund No. 2 Limited (CPF2L), the responsible entity of Centuria Industrial REIT (CIP), since June 2017 and served as Chairman of the Board until July 2020. He is also Chairman of CPF2L's Audit, Risk and Compliance Committee. He has extensive knowledge in accounting, audit and financial management in the property development and financial services industries, corporate governance, regulatory issues and Board processes through his many senior roles.

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

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

Peter is also an Independent Non-executive Director of Centuria Property Funds Limited and Centuria Capital Group.

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Directors' Report

For the year ended 30 June 2021

The directors of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT ('CIP') present their report, together with the consolidated financial statements of the Trust and its subsidiaries ('the Trust') for the year ended 30 June 2021 and the independent auditor's report thereon.

DIRECTORS OF THE RESPONSIBLE ENTITY

The directors of Centuria Property Funds No. 2 Limited during or since the end of the financial year are:

Name	Appointed	Resigned	Directorship of other listed companies
Roger Dobson	01 Oct 2017	-	N/A
Peter Done	26 Jun 2017	-	Centuria Capital Limited
Nicholas Collishaw	01 Oct 2017	-	Centuria Capital Limited; and Redcape Hotel Group Management Limited
Natalie Collins	29 Jul 2020	-	N/A
Jennifer Cook	01 Jul 2021	-	N/A
Darren Collins	26 Jun 2017	29 Jul 2020	N/A
Matthew Hardy	26 Jun 2017	29 Jul 2020	N/A

The company secretary of Centuria Property Funds No. 2 Limited during or since the end of the financial year is:

Name	Appointed
Anna Kovarik	05 Jul 2018

Refer to Note D2 of the annual financial report for directors' unit holdings in the Trust.

No director holds a right or option over interests in the Trust. No options over any issued or unissued units in the Trust have been issued to any director.

There are no contracts to which any director is a party to under which a director is entitled to a benefit and/or confers a right to call for or be delivered interests in the Trust.

PRINCIPAL ACTIVITIES

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

The principal activity of the Trust is investment in industrial property within Australia. There have been no significant changes in the nature of the Trust's activities since the date of the Trust's establishment.

The Trust did not have any employees during the financial year.

SIGNIFICANT CHANGE IN THE STATE OF AFFAIRS

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

Directors' Report

For the year ended 30 June 2021

REVIEW OF OPERATIONS

RESULTS

The results of the operations of the Trust are disclosed in the consolidated statement of profit or loss and other comprehensive income of these financial statements. The Trust's profit from continuing operations for the year ended 30 June 2021 was $611,239,000 (30 June 2020: $75,337,000).

As at 30 June 2021, the Trust's Net Tangible Assets ('NTA') was $3.83 per unit, representing a 101.0 cents per unit ('cpu') increase from prior year (30 June 2020: $2.82).

INVESTMENT PROPERTY VALUATIONS

Due to recent transactional activity in the industrial and logistics real estate sector, capitalisation rates across the sector have tightened. The Trust has externally revalued 56 investment properties as at 31 March 2021 and again revalued the entire property portfolio in June 2021. On a like for like basis, the investment properties valuation of the Trust increased $424.3 million from the prior year.

The total value of the Trust's portfolio as at 30 June 2021 was $2,945.1 million (30 June 2020: $1,602.4 million).

On a like for like basis, the Trust's weighted average capitalisation rate (WACR) firmed 124 basis points to 4.81% during the year. The Trust acquired a further 14 investment properties during the year at a WACR of 4.85%. The WACR of these acquisitions was 3.93% as at 30 June 2021. The Trust's total portfolio WACR firmed to 4.54% as at 30 June 2021 (30 June 2020: 6.05%).

LEASING AND OCCUPANCY

The Trust secured 239,950 square metres ('sqm') of leases across 33 transactions for the year ended 30 June 2021. This represented 22% of the portfolio's gross lettable area.

At 30 June 2021, the Trust's portfolio was 96.9% occupied with a Weighted Average Lease Expiry ('WALE') of 9.6 years. For the upcoming financial year ending 30 June 2022, lease expiries represent 4.7% of portfolio income.

ACQUISITIONS

During the year, the Trust acquired 14 investment properties for $785.5 million, entered into unconditional contracts to acquire 4 investment properties for $89.6 million which had not settled as at 30 June 2021 and entered into an option to acquire one investment property for $27.0 million. Refer to Events Subsequent to Balance Date for settlement of acquisitions post reporting date.

CAPITAL MANAGEMENT

As at 30 June 2021, the Trust had a multi-bank loan facility totalling $1,210.0 million (30 June 2020: $650.0 million) with a weighted average expiry of 2.8 years (30 June 2020: 3.3 years). Drawn borrowings totalled $936.5 million (30 June 2020: $454.4 million), with an all-in interest cost of 1.83% (30 June 2020: 3.44%) and 10.7% of the total drawn debt at fixed rates via fixed rate borrowing (30 June 2020: 90.2%). The Trust's gearing at 30 June 2021 was 27.8% (30 June 2020: 27.2%). The Trust terminated all existing swaps at 30 June 2021 and established new swaps on 1 July 2021. Refer to Events Subsequent to Balance Date for more information.

OUTLOOK

The Responsible Entity's strategy and ongoing focus remains unchanged. The Responsible Entity continues to focus on portfolio leasing to ensure occupancy and income are maximised, active asset management, risk mitigation and repositioning strategies. The Responsible Entity is focused on acquiring quality assets in order to enhance existing stable and secure income streams.

The Trust's FFO guidance for the year ending 30 June 2022 is expected to increase to no less than 18.1 cpu, 2.8% from financial year 2021. The distribution guidance for the year ending 30 June 2022 is expected to be 17.3 cpu which will be paid in equal quarterly instalments.

DISTRIBUTIONS

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

	30 Jun 2021		30 Jun 2020	
	Cents per unit	$'000	Cents per unit	$'000
September quarter	4.250	21,638	4.675	14,086
December quarter	4.250	23,404	4.675	16,225
March quarter	4.250	23,452	4.675	16,244
June quarter	4.250	23,451	4.675	18,713
Total	**17.000**	**91,945**	**18.700**	**65,268**

Key dates in connection with the 30 June 2021 distribution are:

Event	Date
Ex-distribution date	29 Jun 2021
Record date	30 Jun 2021
Distribution payment date	10 Aug 2021

FFO for the year ended 30 June 2021 was $91.4 million (30 June 2020: $63.5 million), representing a 44.0% increase from prior year.

The Trust paid distributions of 17.0 cpu during the 2021 financial year which was in line with guidance provided as part of the June 2020 year end result. The following table provides a reconciliation from the consolidated statement of profit or loss and other comprehensive income to the FFO for the year:

	30 Jun 2021 $'000	30 Jun 2020 $'000
Net profit for the year	611,239	75,337
ADJUSTMENTS:		
Net (gain) on fair value of investment properties	(523,329)	(18,129)
Straight-lining of rental income	(8,719)	(7,508)
Rent free and abatement	5,408	5,430
Amortisation of incentives and leasing fees	3,477	4,129
Net (gain)/loss on fair value of derivative financial instruments	(1,966)	2,477
Transaction costs	5,330	1,759
Funds from operations	**91,440**	**63,495**

The Trust issued 151.5 million units across equity raises undertaken in September, December and March quarters to fund the acquisition of new properties and to facilitate loan repayments. As units issued during a quarter were entitled to the entirety of the distribution attributable to that quarter, whilst the acquired properties were not held for the duration of the relevant quarter and therefore did not generate income for the entire quarter, distributions for the year have exceeded funds from operations.

DISTRIBUTION REINVESTMENT PLAN

The Trust has activated the September quarter, December quarter and June quarter Distribution Reinvestment Plan ('DRP') under which unitholders may elect to have all or part of their distribution entitlement reinvested by the issue of new units rather than distributions being paid in cash.

ENVIRONMENTAL REGULATION

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

OPTIONS GRANTED

No options were granted over unissued units in the Trust during or since the end of the financial year.

No unissued units in the Trust were under option as at the date of this report.

No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units in the Trust.

RELATED PARTY TRANSACTION

On 15 March 2021, the Trust sold 136 Zillmere Road, Boondall QLD to an unlisted Centuria syndicate, Centuria Industrial Income Fund No. 1 for $39.6 million on an arms length basis. No fees were paid by the Trust to Centuria Group and its subsidiaries in relation to this sale.

EVENTS SUBSEQUENT TO BALANCE DATE

The Trust settled the following four acquisitions subsequent to 30 June 2021 for a total value of $89.6 million:

- 110 Northcorp Boulevard, Broadmeadows VIC for $37.1 million (plus costs);
- 160 Newton Road, Wetherill Park NSW for $33.5 million (plus costs);
- 95 South Gippsland Highway, Dandenong South VIC for $12.0 million (plus costs)^; and
- 85 Fulton Drive, Derrimut VIC for $7.0 million (plus costs).

^ Upon settlement, the Trust will consolidate the title of this investment with 105 South Gippsland Highway, Dandenong South VIC. The Trust entered a Development Management Agreement to construct a six-tenancies industrial estate on 95-105 South Gippsland Hwy, Dandenong South VIC.

On 23 July 2021, the Trust exercised a call option and exchanged contracts to acquire 29 Penelope Crescent, Arndell Park NSW for $27.0 million (plus costs). The settlement is expected to complete in September 2021.

The Trust exchanged contracts to acquire 164 Newton Road, Wetherill Park NSW for $36.8 million (plus costs) on 3 August 2021. The settlement is expected to complete in August 2021.

On 1 July 2021, the Trust established eight new swaps with a face value of $400.0 million. The Trust's loan facilities that are on a fixed interest basis increased to $500.0 million and 53.4% of drawn debt is fixed through swaps and fixed rate borrowings.

There are no other matters or circumstances which have arisen since the end of the financial year and the date of this report, in the opinion of the Responsible Entity, which significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

INDEMNIFYING OFFICERS OR AUDITORS

INDEMNIFICATION

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

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

INSURANCE PREMIUMS

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

TRUST INFORMATION IN THE DIRECTORS' REPORT

RESPONSIBLE ENTITY INTERESTS

The following fees were paid or payable to the Responsible Entity and related parties during the financial year:

	30 Jun 2021 $'000	30 Jun 2020 $'000
Management fees	14,118	8,749
Property management fees	1,652	1,900
Custodian fees	1,093	587
Facility management fees	964	272
Project management fees	815	357
Leasing fees	767	505
Due diligence acquisition fees	375	175
Administrative costs	162	-
	19,946	**12,545**

The Responsible Entity and/or its related parties have held units in the Trust during the financial year are outlined in D2 to the financial statements.

OTHER TRUST INFORMATION

The number of units in the Trust issued during the financial year, and the balance of issued units at the end of the financial year are disclosed in Note C9 to the financial statements.

The recorded value of the Trust's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as "Total assets" and the basis of recognition and measurement is included in the notes to the financial statements.

Directors' Report

For the year ended 30 June 2021

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 27.

ROUNDING OF AMOUNTS

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

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

Roger Dobson
Director

Peter Done
Director

Sydney
5 August 2021

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

To the Directors of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Industrial REIT for the financial year ended 30 June 2021 there have been:

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

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

KPMG

KPMG

Peter Zabaks
Partner

Sydney
5 August 2021

Financial Report Contents

For the year ended 30 June 2021

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
REVENUE			
Rent and recoverable outgoings	B2	160,348	118,163
Total revenue from continuing operations		**160,348**	**118,163**
OTHER INCOME			
Interest income		14	70
Net gain on fair value of investment properties	C3	523,329	18,129
Gain on fair value of derivative financial instruments		1,966	-
Total other income		**525,309**	**18,199**
Total revenue from continuing operations and other income		**685,657**	**136,362**
EXPENSES			
Rates, taxes and other property outgoings		31,532	28,583
Finance costs	B3	25,860	18,621
Management fees	D2	14,118	8,749
Other expenses		2,908	2,595
Loss on fair value of derivative financial instruments		-	2,477
Profit from continuing operations for the year		**611,239**	**75,337**
Net profit for the year		**611,239**	**75,337**
OTHER COMPREHENSIVE INCOME			
Other comprehensive income for the year		-	-
Total comprehensive income for the year	B4	**611,239**	**75,337**
BASIC AND DILUTED EARNINGS PER UNIT			
Basic earnings per unit (cents per unit)	B4	**117.7**	**22.5**

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

As at 30 June 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
ASSETS			
Current assets			
Cash and cash equivalents	C11	105,543	17,078
Trade and other receivables	C1	6,835	5,805
Other assets		2,464	-
Investment properties held for sale	C4	9,000	11,300
Total current assets		**123,842**	**34,183**
Non-current assets			
Other non-current assets	C2	35,459	-
Investment properties	C3	2,936,057	1,591,100
Intangibles	C5	10,501	10,501
Total non-current assets		**2,982,017**	**1,601,601**
Total assets		**3,105,859**	**1,635,784**
LIABILITIES			
Current liabilities			
Trade and other payables	C6	26,832	19,608
Distributions payable	B1	23,451	18,713
Total current liabilities		**50,283**	**38,321**
Non-current liabilities			
Borrowings	C7	933,276	452,401
Derivative financial instruments	C8	-	6,019
Total non-current liabilities		**933,276**	**458,420**
Total liabilities		**983,559**	**496,741**
Net assets		**2,122,300**	**1,139,043**
EQUITY			
Issued capital	C9	1,531,361	1,067,398
Retained earnings		590,939	71,645
Total equity		**2,122,300**	**1,139,043**

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

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019		**687,971**	**61,576**	**749,547**
Net profit for the year		-	75,337	75,337
Total comprehensive income for the year		**-**	**75,337**	**75,337**
Units issued	C9	383,753	-	383,753
Dividend reinvestment plan ('DRP')	C9	4,950	-	4,950
Equity raising costs	C9	(9,276)	-	(9,276)
Distributions provided for or paid	B1	-	(65,268)	(65,268)
Balance at 30 June 2020		**1,067,398**	**71,645**	**1,139,043**
Balance at 1 July 2020		**1,067,398**	**71,645**	**1,139,043**
Net profit for the year		-	611,239	611,239
Total comprehensive income for the year		**-**	**611,239**	**611,239**
Units issued	C9	465,786	-	465,786
Dividend reinvestment plan ('DRP')	C9	7,704	-	7,704
Equity raising costs	C9	(9,527)	-	(9,527)
Distributions provided for or paid	B1	-	(91,945)	(91,945)
Balance at 30 June 2021		**1,531,361**	**590,939**	**2,122,300**

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

Consolidated statement of cash flows

For the year ended 30 June 2021

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		167,575	122,986
Payments to suppliers		(57,121)	(36,737)
Interest received		14	70
Interest paid		(26,801)	(20,984)
Net cash generated by operating activities	C11	**83,667**	**65,335**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for investment properties		(889,008)	(361,587)
Proceeds from sale of investment properties		37,436	-
Net cash used in investing activities		**(851,572)**	**(361,587)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Distribution paid		(79,503)	(54,064)
Proceeds from borrowings		827,093	187,051
Repayment of borrowings		(345,000)	(202,593)
Payments for borrowing costs		(2,398)	(971)
Proceeds from issue of units		465,786	383,753
Equity issue costs		(9,608)	(9,194)
Net cash generated by financing activities		**856,370**	**303,982**
Net increase in cash and cash equivalents		88,465	7,730
Cash and cash equivalents at beginning of financial year		17,078	9,348
Cash and cash equivalents at end of financial year	C11	**105,543**	**17,078**

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

Notes to the financial statements

For the year ended 30 June 2021

A About the report

A1 GENERAL INFORMATION

Centuria Industrial REIT is a registered managed investment scheme under the Corporations Act 2001 and domiciled in Australia. The principal activity of the Trust is disclosed in the Directors' report.

STATEMENT OF COMPLIANCE

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

For the purposes of preparing the financial statements, the Trust is a for-profit entity.

The financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds No. 2 Limited ('CPF2L'), the Responsible Entity, on 5 August 2021.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on the basis of historical cost, except for investment properties, derivative financial instruments and financial assets at fair value through profit and loss, which have been measured at fair value at the end of the 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 Trust's functional currency, unless otherwise noted.

(i) Going concern

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

ROUNDING OF AMOUNTS

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

A2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation in the preparation of the consolidated financial statements are consistent with those adopted in the previous financial year ended 30 June 2020 unless specifically outlined below or in the relevant notes to the consolidated financial statements.

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

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

These financial statements contain all significant accounting policies that summarise the recognition and measurement basis used and which are relevant to provide an understanding of the financial statements. Accounting policies that are specific to a note to the financial statements are described in the note to which they relate.

USE OF ESTIMATES AND JUDGEMENTS

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to the valuation of investment properties (per Note C3), goodwill (per Note C5) and derivative financial instruments (per Note E2).

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

SEGMENT REPORTING

The Trust operates in one segment, being investments in Australian industrial property. The Trust has determined its one operating segment based on the internal information that is provided to the chief operating decision maker and which is used in making strategic decisions. The Responsible Entity has been identified as the Trust's chief operating decision maker.

B Trust performance

B1 DISTRIBUTION

	30 Jun 2021		30 Jun 2020	
	Cents per unit	$'000	Cents per unit	$'000
September quarter	4.250	21,638	4.675	14,086
December quarter	4.250	23,404	4.675	16,225
March quarter	4.250	23,452	4.675	16,244
June quarter	4.250	23,451	4.675	18,713
Total	**17.000**	**91,945**	**18.700**	**65,268**

Key dates in connection with the 30 June 2021 distribution are:

Event	Date
Ex-distribution date	29 Jun 2021
Record date	30 Jun 2021
Distribution payment date	10 Aug 2021

DISTRIBUTION AND TAXATION

Under current Australian income tax legislation, the Trust is not liable for income tax for the financial year as the Trust has fully distributed its distributable income as determined under the Trust's constitution, whilst its unitholders are presently entitled to the income.

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

B2 REVENUE

	30 Jun 2021 $'000	30 Jun 2020 $'000
Rental income	129,470	92,120
Recoverable outgoings	22,159	18,535
Straight-lining of lease revenue	8,719	7,508
	160,348	**118,163**

RECOGNITION AND MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Trust and the revenue can be reliably measured.

(i) Rental income

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

Lease incentives granted are recognised as an integral part of the net consideration agreed for the use of the leased premises, irrespective of the incentive's nature or form or the timing of payments. The aggregate cost of lease incentives are recognised as a reduction of rental income on a straight-line basis over the lease term.

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

(ii) Recoverable outgoings

The Trust 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 the invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of profit or loss and other comprehensive income within the same reporting period and billed annually.

(iii) Interest revenue

Interest revenue is accrued on a time basis, by reference to the principal outstanding using the effective interest rate method.

(iv) Sale of properties

Any gain or loss arising on the sale of an investment property is recognised when the control of the asset is passed on to the buyer, which normally coincides with the settlement of the contract for sale.

Notes to the financial statements

For the year ended 30 June 2021

B3 EXPENSES

RECOGNITION AND MEASUREMENT

Finance costs are recognised in the profit or loss statement as they accrue. Finance costs are recognised using the effective interest rate applicable to the financial liability.

(i) Finance costs

Finance costs include interest expense and amortised borrowing costs.

	30 Jun 2021 $'000	30 Jun 2020 $'000
Interest expense	19,608	16,510
Loan repayment break costs	5,080	-
Derivative instrument break costs	-	1,634
Amortisation of borrowing costs	1,172	477
	25,860	**18,621**

(ii) Other expenses

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

(iii) Goods and services tax

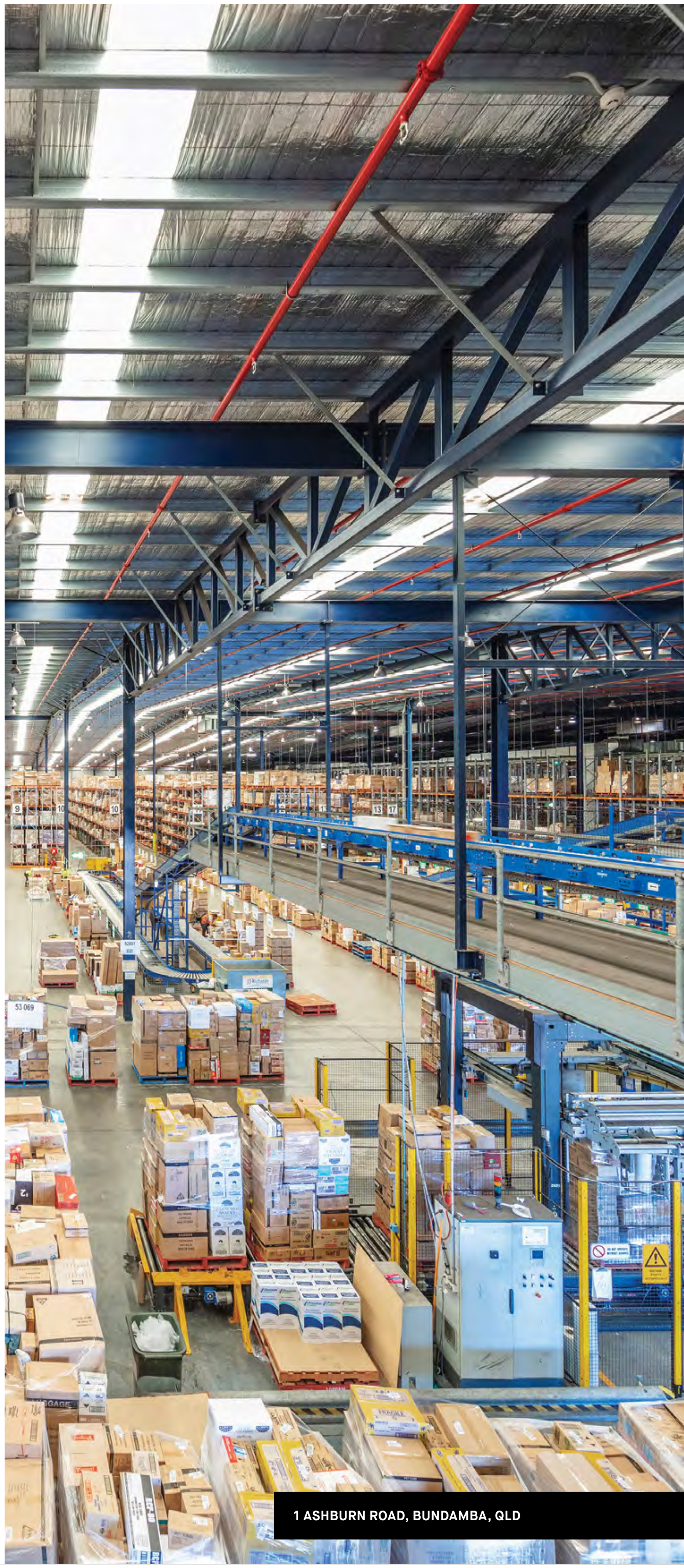
Revenues, expenses and assets are recognised exclusive of goods and services tax ('GST') which is recoverable from the Australian Taxation Office ('ATO') as an input tax credit ('ITC').

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

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

B4 EARNINGS PER UNIT

	30 Jun 2021	30 Jun 2020
Basic earnings per unit (cents per unit)	**117.7**	22.5
Earnings used in calculating basic earnings per unit ($'000)	**611,239**	75,337
Weighted average number of units ('000)	**519,427**	335,575



1 ASHBURN ROAD, BUNDAMBA, QLD

C Trust's assets and liabilities

C1 TRADE AND OTHER RECEIVABLES

	30 Jun 2021 $'000	30 Jun 2020 $'000
Current		
Trade debtors	3,876	2,284
Expected credit loss provision	(221)	(85)
Other current receivables	3,180	3,606
	6,835	**5,805**

Refer to Note E2 for details on fair value measurement and the Trust's exposure to risks associated with financial assets (other receivables are not considered to be financial assets).

RECOGNITION AND MEASUREMENT

Loans and receivables are initially recognised at fair value and subsequently amortised cost using the effective interest rate method less any allowance under the expected credit loss ('ECL') model.

Refer to the policy application below for further details.

RECOVERABILITY OF LOANS AND RECEIVABLES

At each reporting period, the Trust 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 Trust 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 Trust in accordance with the contract and the cash flows that the Trust expects to receive.

During the year, the Trust has provided $0.1 million ECL provision for the trade receivables balance and no additional rental waiver was provided.

Given that COVID-19 is an ongoing situation, The Responsible Entity has continued to analyse the age of outstanding receivable balances post balance sheet date and applied estimated percentages of recoverability by tenant adjusted for waivers and deferrals granted, other current observable data as a means to estimate ECL, as well as the financial stress of counterparties and their ability to operate as a going concern. Debts that are known to be uncollectible are written off when identified.

C2 OTHER NON-CURRENT ASSETS

During the year, the Trust entered into unconditional contracts to acquire investment properties which have a settlement date after the balance sheet date. As at 30 June 2021, the Trust paid settlement balance for an acquisition that was settled on 1 July 2021. Refer to Note E3 for settlement information.

	2021 $'000	2020 $'000
Non-current		
Settlement balance - 160 Newton Rd, Wetherill Park NSW	35,459	-
	35,459	**-**

C3 INVESTMENT PROPERTIES

	Note	30 Jun 2021 $'000	30 Jun 2020 $'000
Opening balance		1,591,100	1,209,850
Purchase price of investment properties		785,455	310,284
Stamp duty and other transaction costs		47,424	21,569
Capital improvements and associated costs		4,928	11,512
Capital developments and associated costs		11,007	11,163
		848,814	354,528
Net gain on fair value of investment properties		523,329	18,129
Add back: fair value loss on investment properties held for sale	C4	2,300	100
Gain on fair value of investment properties		525,629	18,229
Change in deferred rent and lease incentives		7,165	8,455
Disposed deferred rent and lease incentives		2,376	-
Change in capitalised leasing fees		573	38
Disposal at fair value		(39,600)	-
Closing gross balance		2,936,057	1,591,100
Closing balance^		**2,936,057**	**1,591,100**

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $40.2 million (2020: $32.8 million).

LEASES AS LESSOR

The Trust leases out its investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	30 Jun 2021 $'000	30 Jun 2020 $'000
Less than one year	135,750	100,183
Between one and five years	439,116	288,126
More than five years	1,056,285	577,334
	1,631,151	**965,643**

Notes to the financial statements

For the year ended 30 June 2021

C3 INVESTMENT PROPERTIES (CONTINUED)

Property	30 Jun 2021 Fair Value $'000	30 Jun 2020 Fair Value $'000	30 Jun 2021 Capitalisation Rate %	30 Jun 2020 Capitalisation Rate %	30 Jun 2021 Discount Rate %	30 Jun 2020 Discount Rate %	30 Jun 2021 Valuer	Last independent Valuation Date
QLD								
46 Robinson Road E, Virginia QLD	289,000	211,800	3.88	5.00	5.75	6.75	Savills	Jun 2021
60-80 Southlink St, Parkinson QLD^	56,200	-	4.63	-	6.00	-	CBRE	Jun 2021
22 Hawkins Cres, Bundamba QLD	56,200	47,400	4.88	6.25	6.00	6.50	Savills	Jun 2021
1 Ashburn Rd, Bundamba QLD	55,400	41,250	4.75	6.25	5.25	7.25	M3	Jun 2021
1 Lahrs Rd, Ormeau QLD^	51,500	-	4.63	-	6.00	-	CBRE	Jun 2021
33-37 Mica St, Carole Park QLD	39,200	31,800	5.00	6.25	6.25	7.25	CBRE	Jun 2021
69 Rivergate Pl, Murarrie QLD	36,600	28,500	5.00	6.00	5.75	7.00	Savills	Jun 2021
149 Kerry Rd, Archerfield QLD	35,800	30,800	5.00	5.75	5.75	6.50	JLL	Jun 2021
21 Jay St, Mount St John, Townsville QLD*	32,700	28,300	5.50	6.75	6.25	8.00	CBRE	Jun 2021
46 Gosport St, Hemmant QLD	27,500	23,000	5.50	7.00	6.25	7.75	M3	Jun 2021
680 Boundary St, Richlands QLD	24,000	19,750	5.50	6.75	6.25	7.25	M3	Jun 2021
616 Boundary Rd, Richlands QLD	21,000	16,700	5.75	6.50	6.00	7.25	JLL	Jun 2021
42 Hoepner Rd, Bundamba QLD	18,100	4,300	-	-	6.00	-	M3	Jun 2021
35 Cambridge St, Coorparoo QLD^	14,500	-	5.50	-	6.25	-	JLL	Jun 2021
24 West Link Pl, Richlands QLD	9,500	8,000	5.50	6.50	6.25	7.00	M3	Jun 2021
43-45 Mica St, Carole Park QLD	1,950	1,800	5.25	6.50	-	-	CBRE	Jun 2021
136 Zillmere Rd, Boondall QLD#	-	32,500	-	6.50	-	6.75	-	Jun 2020
NSW								
2 Woolworths Way, Warnervale NSW	112,000	74,000	5.00	7.00	5.75	7.00	CBRE	Jun 2021
67-69 Mandoon Rd, Girraween NSW^	90,250	-	4.50	-	5.75	-	Savills	Jun 2021
37-51 Scrivener St, Warwick Farm NSW	65,000	36,750	4.00	6.50	5.50	7.00	CBRE	Jun 2021
29 Glendenning Rd, Glendenning NSW	64,000	52,500	4.13	5.00	5.75	6.25	JLL	Jun 2021
92-98 Cosgrove Rd, Enfield NSW	63,400	50,500	4.50	5.75	5.75	6.50	JLL	Jun 2021
10 Williamson Rd, Ingleburn NSW	60,600	53,400	4.75	5.50	6.00	6.75	Knight Frank	Jun 2021
12 Williamson Rd, Ingleburn NSW	48,000	38,500	4.75	6.00	6.00	6.50	Savills	Jun 2021
457 Waterloo Rd, Chullora NSW	43,500	34,000	4.25	5.25	5.75	6.50	JLL	Jun 2021
74-94 Newton Rd, Wetherill Park NSW	39,000	37,000	4.75	5.50	6.00	6.50	Knight Frank	Jun 2021
6 Macdonald Rd, Ingleburn NSW	30,500	25,100	4.38	5.50	5.75	6.50	Savills	Jun 2021
8 Lexington Dr, Bella Vista NSW^	28,500	-	4.50	-	6.00	-	CBRE	Jun 2021
8 Penelope Cres, Arndell Park NSW	27,500	21,750	4.38	5.50	5.88	6.50	Savills	Jun 2021
52-74 Quarry Rd, Erskine Park NSW	26,500	18,000	4.00	5.50	5.75	6.50	CBRE	Jun 2021
30 Clay Pl, Eastern Creek NSW	24,700	19,500	4.00	5.25	5.75	6.25	Colliers	Jun 2021
144 Hartley Rd, Smeaton Grange NSW^	21,800	-	4.25	-	5.75	-	Knight Frank	Jun 2021
75 Owen St, Glendenning NSW	15,300	9,700	4.00	5.50	5.50	6.50	CBRE	Jun 2021

Property	30 Jun 2021 Fair Value $'000	30 Jun 2020 Fair Value $'000	30 Jun 2021 Capitalisation Rate %	30 Jun 2020 Capitalisation Rate %	30 Jun 2021 Discount Rate %	30 Jun 2020 Discount Rate %	30 Jun 2021 Valuer	Last independent Valuation Date
VIC								
Telstra Data Centre, Clayton VIC^	505,000	-	3.38	-	5.25	-	Colliers	Jun 2021
207-219 Browns Rd, Noble Park VIC	56,000	45,300	5.00	6.25	6.00	7.25	JLL	Jun 2021
45 Fulton Dr, Derrimut VIC^	56,000	-	4.50	-	6.00	-	CBRE	Jun 2021
324-332 Frankston-Dandenong Rd, Dandenong South VIC	50,000	34,250	4.65	5.75	5.75	6.75	CBRE	Jun 2021
1 International Dr, Westmeadows VIC	49,000	43,500	5.75	6.75	6.00	7.25	Colliers	Jun 2021
102-128 Bridge Rd, Keysborough VIC	47,500	38,500	5.25	6.50	6.00	7.00	JLL	Jun 2021
24-32 Stanley Dr, Somerton VIC	39,400	31,700	4.75	6.25	6.00	7.00	Savills	Jun 2021
2 Keon Pde, Keon Park VIC	35,500	27,750	4.50	5.50	6.00	6.50	JLL	Jun 2021
69 Studley Ct, Derrimut VIC	35,000	27,000	4.65	5.75	5.50	6.50	CBRE	Jun 2021
75-79 and 105 Corio Quay Rd, North Geelong VIC	34,300	27,500	5.00	6.00	6.50	7.00	M3	Jun 2021
14-17 Dansu Ct, Hallam VIC	33,000	21,700	4.25	6.50	5.75	7.00	Colliers	Jun 2021
500 Princes Hwy, Noble Park VIC	30,500	24,250	5.00	6.50	5.75	6.75	Colliers	Jun 2021
513 Mt Derrimut Rd, Derrimut VIC^	24,000	-	4.50	-	5.75	-	CBRE	Jun 2021
140 Fulton Dr, Derrimut VIC^	23,350	-	4.50	-	6.00	-	Savills	Jun 2021
12-13 Dansu Ct, Hallam VIC	23,250	19,100	4.50	5.50	6.00	6.75	Savills	Jun 2021
49 Temple Dr, Thomastown VIC	19,750	15,600	5.00	6.25	6.00	7.00	JLL	Jun 2021
179 Studley Crt, Derrimut VIC^	18,300	-	4.50	-	5.75	-	CBRE	Jun 2021
51-73 Lambeck Dr, Tullamarine VIC^	16,600	-	5.00	-	6.00	-	CBRE	Jun 2021
95-105 South Gippsland Hwy, Dandenong Sth VIC (Site 2)^	15,607	-	-	-	-	-	Directors	Mar 2021
40 Scanlon Dr, Epping VIC^	15,500	-	5.25	-	6.25	-	Directors	May 2021
9 Fellowes Ct, Tullamarine VIC	6,150	5,100	5.00	6.50	6.00	6.50	Savills	Jun 2021
WA								
310 Spearwood Ave, Bibra Lake WA	61,750	55,500	6.25	7.00	6.75	7.50	JLL	Jun 2021
Lot 14 Sudlow Rd, Bibra Lake WA	41,500	34,500	6.25	7.00	6.75	7.50	JLL	Jun 2021
23 Selkis Rd, Bibra Lake WA	21,750	19,500	6.25	7.25	7.25	7.75	CBRE	Jun 2021
16-18 Baile Rd, Canning Vale WA	19,250	18,100	6.00	7.00	6.50	7.00	Knight Frank	Jun 2021
103 Stirling Cres, Hazelmere WA	17,500	15,600	6.00	6.75	7.25	7.00	Savills	Jun 2021
92 Robinson Rd, Belmont WA	12,500	10,250	6.00	7.25	7.00	7.50	Savills	Jun 2021
155 Lakes Road, Hazelmere WA	10,000	8,000	6.00	6.75	7.00	7.25	Savills	Jun 2021
SA								
23-41 Galway Ave, Marleston SA	36,000	24,500	5.00	7.25	6.25	8.00	Colliers	Jun 2021
32-54 Kaurna Ave, Edinburgh Park SA	19,000	19,500	6.25	7.00	7.00	8.00	CBRE	Jun 2021
9-13 Caribou Dr, Direk SA	11,400	8,800	5.75	7.25	6.50	7.75	JLL	Jun 2021
ACT								
54 Sawmill Cct, Hume ACT*	22,000	19,000	5.00	6.00	6.00	6.25	Colliers	Jun 2021
	2,936,057	**1,591,100**						

* The Trust holds a leasehold interest in 21 Jay St, Mount St John, Townsville QLD and 54 Sawmill Cct, Hume ACT.

^ Investment properties acquired by the Trust during the year.

The Trust sold 136 Zillmere Road, Boondall QLD on 15 March 2021 for $39.6 million. Refer to Note D2 for more information.

The Trust's weighted average capitalisation rate for the year is 4.54% (2020: 6.05%).

C3 INVESTMENT PROPERTIES (CONTINUED)

RECOGNITION AND MEASUREMENT

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

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

VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The fair values of the investment properties were determined by the directors of the Responsible Entity or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of 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.

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.

FAIR VALUE MEASUREMENT

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

Significant unobservable inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input	Range of inputs 30 June 2021	Range of inputs 30 June 2020
Market rent	Increase	Decrease	$25 - $641	$31 - $195
Capitalisation rate	Decrease	Increase	3.38% - 7.75%	5.00% - 7.75%
Discount rate	Decrease	Increase	5.25% - 8.00%	6.25% - 8.00%

The above unobservable inputs are considered significant Level 3 inputs. Refer to Note E2 for further information.

A further sensitivity analysis was undertaken by the Trust to assess the fair value of investment properties values. The table below illustrates the impact on valuation of movements in capitalisation rates.

	Capitalisation rate impact	
Fair Value at 30 June 2021 $'000	+0.25% $'000	-0.25% $'000
2,945,057	(153,700)	171,700

C4 INVESTMENT PROPERTIES HELD FOR SALE

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition.

	30 Jun 2021 $'000	30 Jun 2020 $'000
99 Quill Way, Henderson WA	9,000	11,300
	9,000	**11,300**

RECOGNITION AND MEASUREMENT

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These investment properties are carried at fair value. 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 C3.

Where sale completion is delayed by events outside the control of the Trust, and the sale is not completed within one year from the date of classification, the Trust may still classify the asset as held for sale. In this circumstance, there must be sufficient evidence the Trust is committed to sell the asset.

C5 INTANGIBLES

GOODWILL

	30 Jun 2021 $'000	30 Jun 2020 $'000
Goodwill - at cost	10,501	10,501
	10,501	**10,501**

INDEFINITE LIFE OF CONTROLLING INTEREST

Goodwill recognised by the Trust in a business combination is initially measured at fair value and reflect the controlling interest in Australian Industrial REIT ('ANI').

GOODWILL

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

IMPAIRMENT

Goodwill is tested annually for impairment. It is impaired if the recoverable amount, calculated as fair value less costs to sell, is less than its carrying amount.

Based on impairment testing performed as at 30 June 2021 the fair value of the portfolio less costs to sell is less than the recoverability of goodwill by $4.1 million. Despite the continued growth in the fair value of assets, the expected realisable value of the business net of selling costs has consistently remained in excess of $100 million above the net book value of the business over the last 24 months. At balance date and immediately after balance date the current market price of the Trust units do not indicate a permanent structural decline in the fair valuation of equity below the net assets of the Trust. No intangibles were impaired in 2021 (2020: nil).

C6 TRADE AND OTHER PAYABLES

	30 Jun 2021 $'000	30 Jun 2021 $'000
Current		
Trade creditors and expenses payable	7,804	3,700
Other current creditors and accruals	19,028	15,908
	26,832	**19,608**

Refer to Note D2 for amounts payable to related parties.

RECOGNITION AND MEASUREMENT

Trade payables and other accounts payable are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services and are recorded initially at fair value, net of any attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost.

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

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

C7 BORROWINGS

	30 Jun 2021 $'000	30 Jun 2020 $'000
Non-current		
Secured loan - fixed	100,000	250,000
Secured loan - variable	836,500	204,407
Borrowing costs	(3,224)	(2,006)
	933,276	**452,401**

At 30 June 2021, the Trust had the following secured debt facilities:

Secured loan facilities	30 Jun 2021 $'000	30 Jun 2020 $'000
Facilities limit	1,210,000	650,000
Facilities unused	(273,500)	(195,593)
Facilities used	**936,500**	**454,407**
Interest rate swaps	-	160,000
Fixed rate borrowings	100,000	250,000
Hedged amount	**100,000**	**410,000**

As at 30 June 2021, the Trust had $100.0 million (2020: $250.0 million) of fixed rate loan. The Trust terminated all interest rate swaps that were hedged against its drawn debt at reporting date (2020: $160.0 million). Refer to Note E3 Events Subsequent to Balance Date for information on new swaps established post balance sheet date. At the end of the reporting period, the Trust's debt facilities that are on a fixed interest basis is $100.0 million (2020: $410.0 million).

All facilities are interest only facilities and are secured by first mortgages over the Trust's investment properties and a first ranking fixed and floating charge over all assets of the Trust.

The secured loans have covenants in relation to Loan to Value Ratio ('LVR') and Interest Coverage Ratio ('ICR') which the Trust has complied with during the year.

RECOGNITION AND MEASUREMENT

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

Refer to Note E2 for details on the Trust's exposure to risks associated with financial liabilities.

C8 DERIVATIVES

INTEREST RATE SWAP CONTRACTS

Under interest rate swap contracts, the Trust agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Trust to mitigate the risk of changing interest rates on the cash flow exposures on the variable rate debt held. The following table details the specific instruments held at reporting date, showing the notional principal amounts and contracted fixed interest rate of each contract:

Type of contract	Maturity Date	Contracted fixed interest rate	Notional amount of contract $'000	Fair value of liabilities $'000
30 June 2020				
Extendible interest rate swap	27 Jun 22	0.98%	110,000	(2,852)
Interest rate swap	28 Dec 23	2.14%	50,000	(3,167)
			160,000	**(6,019)**

The Trust terminated all swaps on 30 June 2021. Refer to Note E3 Events Subsequent to Balance Date for information on new swaps established on 1 July 2021.

RECOGNITION AND MEASUREMENT

Derivatives are initially recognised at fair value and attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and the resulting gain or loss is recognised in profit or loss.

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

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

Refer to Note E2 for details on the Trust's exposure to risks associated with financial liabilities.

C9 ISSUED CAPITAL

	30 Jun 2021		30 Jun 2020	
	Units '000	$'000	Units '000	$'000
Opening balance	400,275	1,067,398	270,847	687,971
Units issued	149,036	465,786	127,921	383,753
Distribution reinvestment plan ('DRP')	2,497	7,704	1,507	4,950
Equity raising costs	-	(9,527)	-	(9,276)
Closing balance	**551,808**	**1,531,361**	**400,275**	**1,067,398**

All units in Trust are of the same class and carry equal rights to capital and income distributions.

An equity instrument is any contract that evidences a residual interest in the assets of a Trust after deducting all of its liabilities. Equity instruments issued by the Trust are recognised at the proceeds received, net of direct issue costs.

C10 CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 30 June 2021.

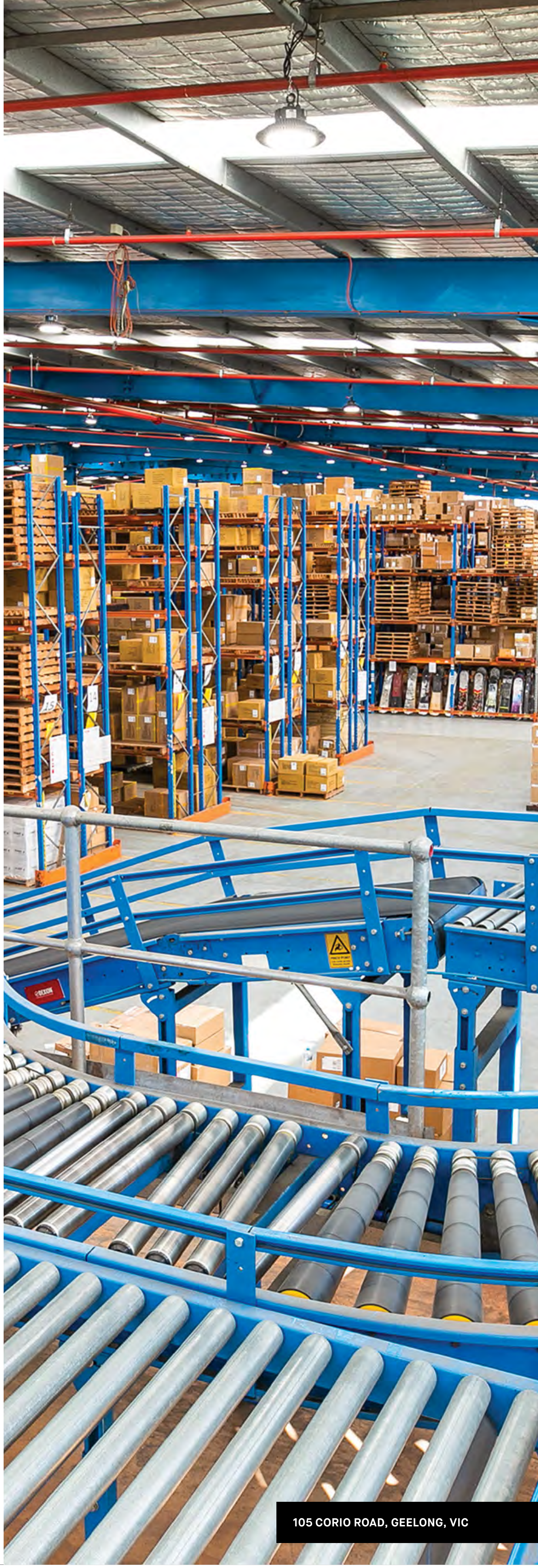
C11 CASH AND CASH EQUIVALENTS

	30 Jun 2021 $'000	30 Jun 2020 $'000
Cash and cash equivalents	105,543	17,078
	105,543	**17,078**

RECONCILIATION OF PROFIT FOR THE YEAR TO NET CASH FLOWS FROM OPERATING ACTIVITIES:

	30 Jun 2021 $'000	30 Jun 2020 $'000
NET PROFIT FOR THE YEAR	**611,239**	**75,337**
Adjustments:		
Net gain on fair value of investment properties	(523,329)	(18,129)
(Gain)/loss on fair value of derivatives	(1,966)	2,477
Change in deferred rent and lease incentives	(6,594)	(4,581)
Change in capitalised leasing fees	1,352	1,202
Borrowing cost amortisation	1,172	477
Changes in operating assets and liabilities:		
(Increase)/decrease in receivables	(1,031)	928
(Increase)/decrease in other assets	(58)	296
Increase in payables	2,882	7,328
Net cash generated by operating activities	**83,667**	**65,335**

Cash and cash equivalents comprise of cash on hand and cash in banks.



105 CORIO ROAD, GEELONG, VIC

D Trust structure

D1 INTEREST IN MATERIAL SUBSIDIARIES

RECOGNITION AND MEASUREMENT

(i) Business combination

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Trust elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred.

When the Trust acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised directly in profit or loss. Refer to Note C5 for details of management's assessment.

(ii) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities controlled by the Trust. Control is achieved where the Trust is exposed to, or has rights to, the variable returns from its involvement with an entity and has the ability to affect these returns through its power over the entity.

The Trust accounts for business combinations using the acquisition method when control is transferred to the Trust. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. When the Trust loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date on which control commences until the date on which control ceases.

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

(iii) Subsidiaries

The consolidated financial statements include the assets, liabilities and results of Centuria Industrial REIT and the subsidiaries it controls. Subsidiaries are entities controlled by the Trust in accordance with AASB 10. Control exists when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The financial statements of subsidiaries are included in the financial report from the date that control commences until the date that control ceases.

The Trust uses the purchase method of accounting to account for the acquisition of subsidiaries. Intercompany transactions, balances and recognised gains on transactions between Trust entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Trust.

Name of entity	Country of domicile	Class of units	Equity interest 30 Jun 2021 %	30 Jun 2020 %
BIPT Preston No. 1 Sub Trust	Australia	Ordinary	100	100
BIPT Marple Ave Holding Trust	Australia	Ordinary	100	100
BIPT Marple Ave Sub Trust	Australia	Ordinary	100	100
BIPT Clarinda Rd Holding Trust	Australia	Ordinary	100	100
BIPT Clarinda Rd Sub Trust	Australia	Ordinary	100	100
BIPT Noble Park Holding Trust	Australia	Ordinary	100	100
BIPT Noble Park Sub Trust	Australia	Ordinary	100	100
BIPT Scrivener Street Holding Trust	Australia	Ordinary	100	100
BIPT Scrivener Street Sub Trust	Australia	Ordinary	100	100
Australian Industrial REIT	Australia	Ordinary	100	100
AIR Somerton Trust	Australia	Ordinary	100	100
AIR Wetherill Park Trust	Australia	Ordinary	100	100
AIR Glendening Trust	Australia	Ordinary	100	100
AIR Ingleburn Trust	Australia	Ordinary	100	100
AIR Ingleburn 2 Trust	Australia	Ordinary	100	100
AIR Ingleburn 3 Trust	Australia	Ordinary	100	100
AIR Eastern Creek Trust	Australia	Ordinary	100	100
AIR Enfield Trust	Australia	Ordinary	100	100
AIR Tullamarine Trust	Australia	Ordinary	100	100
AIR Thomastown Trust	Australia	Ordinary	100	100
AIR Henderson Trust	Australia	Ordinary	100	100
AIR Dandenong South Trust	Australia	Ordinary	100	100
AIR Bibra Lake Trust	Australia	Ordinary	100	100
AIR Glendening 2 Trust	Australia	Ordinary	100	100
AIR Erskine Park Trust	Australia	Ordinary	100	100
AIR ST1 Trust	Australia	Ordinary	100	100
CIP Sub Trust No. 1	Australia	Ordinary	100	100
CIP Sub Trust No. 2	Australia	Ordinary	100	-
CIP Sub Trust No. 3	Australia	Ordinary	100	-
CIP Sub Trust No. 4	Australia	Ordinary	100	-
CIP Sub Trust No. 5	Australia	Ordinary	100	-
CIP Sub Trust No. 6	Australia	Ordinary	100	-
CIP Sub Trust No. 7	Australia	Ordinary	100	-
CIP Sub Trust No. 8	Australia	Ordinary	100	-
CIP Sub Trust No. 9	Australia	Ordinary	100	-
CIP Sub Trust No. 10	Australia	Ordinary	100	-
CIP Sub Trust No. 11	Australia	Ordinary	100	-

D2 RELATED PARTIES

KEY MANAGEMENT PERSONNEL

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

Roger Dobson	
Peter Done	
Nicholas Collishaw	
Natalie Collins	Appointed 29 July 2020
Jennifer Cook	Appointed 1 July 2021
Darren Collins	Resigned 29 July 2020
Matthew Hardy	Resigned 29 July 2020

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

KEY MANAGEMENT PERSONNEL LOAN DISCLOSURES

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

RESPONSIBLE ENTITY FEES AND OTHER TRANSACTIONS

The Responsible Entity is entitled to a management fee which is calculated at 0.65% of the gross value of assets held plus GST, in accordance with the Trust's constitution. The Responsible Entity has elected to charge 0.60% per annum.

The following fees were paid and/or payable to the Responsible Entity and its related parties from the Trust and all subsidiaries during the financial year:

	30 Jun 2021 $'000	30 Jun 2020 $'000
Management fees	14,118	8,749
Property management fees	1,652	1,900
Custodian fees	1,093	587
Facility management fees	964	272
Project management fees	815	357
Leasing fees	767	505
Due diligence acquisition fees	375	175
Administrative costs	162	-
	19,946	**12,545**

At reporting date an amount of $1,917,744 (2020: $2,071,840) owing to the Responsible Entity and its related parties was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices.

On 15 March 2021, the Trust sold 136 Zillmere Road, Boondall QLD to an unlisted Centuria syndicate, Centuria Industrial Income Fund No. 1 for $39.6 million on an arms length basis. No additional fees were paid by the Trust to Centuria Group and its subsidiaries in relation to this sale.

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time Centuria Property Funds No. 2 Limited, its directors or its director-related entities may buy or sell units in the Trust. These transactions are on the same terms and conditions as those entered into by other Trust investors.

RELATED PARTY INVESTMENTS HELD BY THE TRUST

At 30 June 2021, the Trust did not hold any units in the related parties of the Responsible Entity (30 June 2020: nil).

UNITS IN THE TRUST HELD BY RELATED PARTIES

At 30 June 2021, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
30 June 2021		
Centuria Capital No. 2 Industrial Fund	68,966,756	12.50%
Centuria Capital No. 5 Fund	21,593,800	3.91%
Centuria Property Funds No. 2 Limited	2,181,086	0.40%
Centuria Growth Bond Fund	895,191	0.16%
Centuria Balanced Fund	485,879	0.09%
Roger Dobson	50,703	0.01%
Jennifer Cook	5,729	-%
	94,179,144	**17.07%**
30 June 2020		
Centuria Capital No. 2 Industrial Fund	48,898,176	12.22%
Centuria Capital No. 5 Fund	16,999,400	4.25%
Centuria Property Funds No. 2 Limited	2,181,086	0.54%
Centuria Growth Bond Fund	704,725	0.18%
Centuria Balanced Fund	382,501	0.10%
Roger Dobson	18,000	-%
	69,183,888	**17.29%**

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

OTHER TRANSACTIONS WITHIN THE TRUST

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

D3 PARENT ENTITY DISCLOSURES

As at, and throughout the current and previous financial year, the parent entity of the Trust was CIP. The table below represents the stand alone financial position and performance of CIP. This table does not include the financial position and performance of its subsidiaries and the parent entity's investment in underlying subsidiaries are measuring at fair value. Accordingly, the amounts reflected above may be different from the consolidated financial statements.

Financial position	30 Jun 2021 $'000	30 Jun 2020 $'000
ASSETS		
Current assets	59,161	12,374
Non-current assets	3,032,994	1,617,309
Total assets	**3,092,155**	**1,629,683**
LIABILITIES		
Current liabilities	36,580	32,220
Non-current liabilities	933,275	458,420
Total liabilities	**969,855**	**490,640**
NET ASSETS	**2,122,300**	**1,139,043**
EQUITY		
Issued capital	1,531,361	1,067,398
Retained earnings	590,939	71,645
Total equity	**2,122,300**	**1,139,043**
FINANCIAL PERFORMANCE		
Profit for the year	611,239	75,337
Total comprehensive income for the year	**611,239**	**75,337**

E Other notes

E1 AUDITOR'S REMUNERATION

	30 Jun 2021 $'000	30 Jun 2020 $'000
KPMG:		
Audit and review of financials	218	205
Property due diligence services & advice	-	50
	218	**255**

E2 FINANCIAL INSTRUMENTS

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities approximate their fair value in the financial statements with the exception of fixed rate borrowings. The carrying value of fixed rate borrowings is $100.0 million and the fair value is $101.6 million at 30 June 2021. All financial instruments are measured at amortised cost with the exception of the derivative financial instruments. Derivative financial instruments are measured at fair value and have a level 2 designation in the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during the period.

Independent valuations are obtained from third parties to support the fair value measurement of financial instruments at each reporting date to meet the requirements of International Financial Reporting Standards.

(i) Valuation techniques

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

- The fair value of interest rate swaps are determined using a discounted cash flow analysis. The future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

CAPITAL MANAGEMENT

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

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

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

FINANCIAL RISK MANAGEMENT OBJECTIVES

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

MARKET RISK

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

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

(i) Interest rate risk management

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

	30 Jun 2021		30 Jun 2020	
	Effective interest rate	Total $'000	Effective interest rate	Total $'000
FINANCIAL ASSETS				
Cash and cash equivalents	0.01%	105,543	0.01%	17,078
		105,543		**17,078**
FINANCIAL LIABILITIES				
Borrowings - fixed (excluding borrowing costs)	3.00%	100,000	3.59%	250,000
Borrowings - variable (excluding borrowing costs)	1.69%	836,500	2.31%	204,407
Interest rate swaps	-%	-	1.19%	6,019
		936,500		**460,426**

(ii) Interest rate sensitivity

The sensitivity analysis below has been determined based on the Trust's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of financial assets and financial liabilities that have variable interest rates.

At reporting date, if variable interest rates had been 100 (2020: 100) basis points ('bps') higher or lower and all other variables were held constant, the impact to the Trust would have been as follows:

	Variable + / -	Sensitivity impact Rate increase $'000	Rate decrease $'000
30 June 2021			
Net (loss)/profit	100 bps	5,033	(5,354)
		5,033	**(5,354)**
30 June 2020			
Net (loss)/profit	100 bps	4,660	(5,846)
		4,660	**(5,846)**

The Trust's sensitivity to interest rates calculated above is after taking into account the impact of interest rate changes on the interest rate swap fair values. The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

CREDIT RISK

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

At 30 June 2021, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2021. Refer to Note C1 for details of trade receivables.

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

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

LIQUIDITY RISK

The Trust's strategy of managing liquidity risk is in accordance with the Trust's investment strategy. The Trust manages liquidity risk by maintaining adequate banking facilities and through the continuous monitoring of forecast and actual cash flows and aligning the profiles of financial assets and liabilities.

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

	Effective interest rate	Total principal and interest $'000	Less than 1 year $'000	1 to 5 years $'000	5+ years $'000
30 June 2021					
Trade and other payables	-%	50,283	50,283	-	-
Borrowings	1.83%	1,018,269	17,118	899,652	101,499
		1,068,552	**67,401**	**899,652**	**101,499**
30 June 2020					
Trade and other payables	-%	38,321	38,321	-	-
Borrowings	3.01%	499,058	13,700	380,903	104,455
Derivative financial instruments	1.19%	5,306	1,911	1,903	1,492
		540,685	**53,932**	**382,806**	**105,947**

The principal amounts included in the above borrowings is $936.5 million (2020: $452.4 million).

E3 EVENTS SUBSEQUENT TO REPORTING DATE

The Trust settled the following four acquisitions subsequent to 30 June 2021 for a total value of $89.6 million:

- 110 Northcorp Boulevard, Broadmeadows VIC for $37.1 million (plus costs);
- 160 Newton Road, Wetherill Park NSW for $33.5 million (plus costs);
- 95 South Gippsland Highway, Dandenong South VIC for $12.0 million (plus costs)^; and
- 85 Fulton Drive, Derrimut VIC for $7.0 million (plus costs).

^ Upon settlement, the Trust will consolidate the title of this investment with 105 South Gippsland Highway, Dandenong South VIC. The Trust entered a Development Management Agreement to construct a six-asset industrial estate on 95-105 South Gippsland Hwy, Dandenong South VIC.

On 23 July 2021, the Trust exercised a call option and exchanged contracts to acquire 29 Penelope Crescent, Arndell Park NSW for $27.0 million (plus costs). The settlement is expected to complete in September 2021.

The Trust exchanged contracts to acquire 164 Newton Road, Wetherill Park NSW for $36.8 million (plus costs) on 3 August 2021. The settlement is expected to complete in August 2021.

On 1 July 2021, the Trust established eight new swaps with a total face value of $400.0 million. The Trust's loan facilities that are on a fixed interest basis increased to $500.0 million and 53.4% of drawn debt is fixed through swaps and fixed rate borrowings.

There are no other matters or circumstances which have arisen since the end of the financial year and the date of this report, in the opinion of the Responsible Entity, which significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust, in future financial years.

E4 ADDITIONAL INFORMATION

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

Registered office:
Level 41, Chifley Tower,
2 Chifley Square
SYDNEY NSW 2000

Principal place of business:
Level 41, Chifley Tower,
2 Chifley Square
SYDNEY NSW 2000

Directors' declaration

For the year ended 30 June 2021

In the opinion of the Directors' of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT ('the Trust'):

(a) the consolidated financial statements and notes set out on pages 28 to 49 are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Trust's financial position as at 30 June 2021 and of its performance for the financial year ended on that date, and

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

Note A1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer required by section 295A of the *Corporations Act 2001*.

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

Roger Dobson
Director

Peter Done
Director

Sydney
5 August 2021

Independent Auditor's Report

To the unitholders of Centuria Industrial REIT

Opinion

We have audited the ***Financial Report*** of Centuria Industrial REIT (the Fund).

In our opinion, the accompanying Financial Report of the Fund is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2021;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Fund and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)* that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

KPMG

This matter was addressed in the context of our audit of the Financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Valuation of investment property ($2,936.1m) and investment property held for sale ($9.0m)	
Refer to Notes C3 & C4 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of investment properties is a key audit matter as they are significant in value (being 94.8% of total assets) and contain assumptions with estimation uncertainty. The properties being valued at fair value increased the judgment applied by us when evaluating evidence available. The Group approached the uncertainty risk using internal methodologies and through the use of external valuation experts. We focused on the significant forward-looking assumption the Group applied in external and internal valuation models including: • Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; • Capitalisation rates (cap rates): reflects the yield that an investor would look to recover their investment in a particular class of asset; and • Forecast cash flows, including: market rental income, leasing and rental relief assumptions. In assessing this Key Audit Matter, we involved our real-estate valuation specialists, who understand the Group's investment profile and business and the economic environment it operates in. We paid particular attention to knowledge and sources of information available regarding market conditions specific to year end.	Our procedures included: • Understanding the Group's process regarding the valuation of investment property and the resulting valuation approach; • Assessing the Group's methodologies used in the valuations of investment property for consistency with accounting standards and Group policies; • Assessing the scope, competence and objectivity of external experts engaged by the Group and internal valuers; • For the total portfolio, taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates and market rental income through comparison to market analysis published by industry experts, recent market transactions, other market data points available, inquiries with the Group and historical performance of the investment properties; • Assessing the appropriateness of the Group's leasing assumptions against each property's actual rental income, weighted average lease expiry, actual vacancy levels, the Group's tenant credit risk assessment and expected rental relief with consideration of industry views; • Consulting with our real estate valuation specialists: o To gain an understanding of prevailing market conditions, including existence of market transactions, and o Assess the appropriateness of the property valuation risk profiles and approach to evaluating the appropriateness of valuation assumptions. • Held discussions with external valuers to gain further understanding of specific investment

KPMG

	property valuations and underlying assumptions adopted and updated market conditions; and • Assessing the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standard requirements. This was considered in light of changes and uncertainties of COVID-19 that existed at balance date and up until issuance of our audit report.

Other Information

Other Information is financial and non-financial information in Centuria Industrial REIT's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Centuria Property Funds No. 2 Limited (the Responsible Entity) are responsible for the Other Information.

The Other information we obtained prior to the date of this Auditor's Report was the Director's Report, Corporate Governance Statement and Additional ASX Information. The Letter from the Chairman & Fund Manager, portfolio overview and portfolio profile are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group and Fund's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

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Peter Zabaks
Partner

Sydney
5 August 2021

Corporate Governance Statement

The corporate governance statement for the Trust was last updated on 10 September 2021 and is available on the Centuria website at **https://centuria.com.au/centuria-capital/corporate/sustainability/governance/**.

12-13 & 14-17 DANSU COURT, HALLAM, VIC

Additional ASX information

As at 2 August 2021

DISTRIBUTION OF UNITS

Holding	Number of units	Number of holders	Percentage of total (%)
1 to 1,000	515,012	1,180	0.09
1,001 to 5,000	11,080,300	3,623	2.01
5,001 to 10,000	21,136,422	2,805	3.83
10,001 to 100,000	77,174,027	3,299	13.99
100,001 and over	441,901,697	123	80.08
	551,807,458	**11,030**	**100.00**

SUBSTANTIAL UNITHOLDERS

	Number of units	Percentage of total (%)
CENTURIA CAPITAL GROUP	94,122,712	17.06
THE VANGUARD GROUP	47,324,856	8.58
BLACKROCK INC	39,662,652	7.19
Total	**181,110,220**	**32.83**

VOTING RIGHTS

All units carry one vote per unit without restriction.

TOP 20 UNITHOLDERS

	Number of units	Percentage of total (%)
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	118,991,103	21.56
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	86,469,022	15.67
CITICORP NOMINEES PTY LIMITED	53,209,502	9.64
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	45,136,934	8.18
NATIONAL NOMINEES LIMITED	25,504,131	4.62
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	23,829,822	4.32
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	21,593,800	3.91
BNP PARIBAS NOMINEES PTY LTD	10,848,105	1.97
BNP PARIBAS NOMS PTY LTD	5,410,312	0.98
CITICORP NOMINEES PTY LIMITED	4,641,213	0.84
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	3,343,662	0.61
CHARTER HALL WHOLESALE MANAGEMENT LIMITED	3,000,000	0.54
BNP PARIBAS NOMS (NZ) LTD	2,992,027	0.54
BNP PARIBAS NOMINEES PTY LED HUB24 CUSTODIAL SERV LTD	2,813,466	0.51
CENTURIA PROPERTY FUNDS NO 2 LIMITED	2,181,086	0.40
BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD	1,907,487	0.35
NETWEALTH INVESTMENTS LIMITED	1,758,612	0.32
BNP PARIBAS NOMINEES PTY LTD	1,309,624	0.24
ONE MANAGED INVESTMENT FUNDS LTD	1,300,000	0.24
MISS YVONNE CATHERINE LYNCH	1,176,500	0.21
	417,416,408	**75.65**

Corporate directory

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Disclaimer

Centuria Property Funds No. 2 Limited (ABN 38 133 363 185, AFSL 340304) ('CPF2L') is Responsible Entity of the Centuria Industrial REIT (ARSN 099 680 252) ('CIP').

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You can update your email, or change your annual report delivery method back to post at any time by emailing CIP.Enquiry@CenturiaInvestor.com.au with your request.

If you have any questions, please contact Centuria Investor Services on 1800 182 257

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