Centuria

Centuria Industrial REIT
and its subsidiaries

ARSN 099 680 252

Annual Financial Report
For the year ended 30 June 2022

Centuria Property Funds No. 2 Limited ABN 38 133 363 185 is the Responsible Entity for Centuria Industrial REIT.

Centuria Industrial REIT
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For the year ended 30 June 2022

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Directors' report

For the year ended 30 June 2022

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 2022 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		
Peter Done	26 Jun 2017		Centuria Capital Limited
Natalie Collins	29 Jul 2020		
Jennifer Cook	01 Jul 2021		
Nicholas Collishaw	01 Oct 2017	30 Aug 2021	

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 charges 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 changes 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.

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 2022 was $367,480,000 (30 June 2021: $611,239,000).

As at 30 June 2022, the Trust's Net Tangible Assets ('NTA') was $4.24 per unit, representing a 41.0 cents per unit ('cpu') increase from prior year (30 June 2021: $3.83).

Investment property valuations

The Trust has externally revalued 44 investment properties as at 30 June 2022. On a like for like basis, the investment properties valuation of the Trust increased $325.8 million from the prior year. Increased transactional activity in the industrial and logistics sector resulted in capitalisation rates firming 35 basis points in the first half of the year, before stabilising in the second half of the financial year. The CIP portfolio weighed average capitalisation rate was 4.19% as at the end of the financial year.

The total value of the Trust's portfolio as at 30 June 2022 was $4,100.9 million (30 June 2021: $2,945.1 million).

Review of operations (continued)

Investment property valuations (continued)

The weighted average capitalisation rate for the portfolio firmed 35 basis points year on year to 4.19% as at 30 June 2022 (30 June 2021: 4.54%).

Leasing and occupancy

The Trust secured 185,206 square metres ('sqm') of leases across 49 transactions for the year ended 30 June 2022. This represented 14% of the portfolio's gross lettable area.

At 30 June 2022, the Trust's portfolio was 98.8% occupied with a Weighted Average Lease Expiry ('WALE') of 8.3 years. For the upcoming financial year ending 30 June 2023, lease expiries represent 5.5% of portfolio income.

Capital management

The Trust refinanced the secured multi-bank loan facility to an unsecured debt platform on 12 November 2021. A wholly owned subsidiary, CIP Funding Pty Ltd, was established to be the new borrower and the unsecured facility is guaranteed by the Trust and it's subsidiaries.

During the year, Moody's Investor Services assigned the Trust a Baa2 issuer rating with a stable outlook.

On 16 December 2021, the Trust issued a $350.0 million six-year Australian Dollar Medium Term Note ('A$MTN') at a fixed rate of 3.026%. This fixed rate note was swapped to a floating rate exposure and separately entered into a new three-year interest rate swap, reducing the issuance cost of debt to 2.4% for the first three years. Proceeds from the note were used to refinance the Trust's existing drawn debt.

As at 30 June 2022, the Trust had debt facility totalling $1,610.0 million (30 June 2021: $1,210.0 million) with a weighted average expiry of 4.4 years (30 June 2021: 2.8 years). Drawn borrowings totalled $1,377.2 million (30 June 2021: $936.5 million), and the all-in interest cost (made up of interest expense and line fees) at 30 Jun 2022 was 2.0% (30 June 2021: 2.87%) and 61.7% of the total drawn debt fixed through swaps and fixed borrowing (30 June 2021: 10.7%). The Trust's gearing at 30 June 2022 was 33.2% (30 June 2021: 27.8%).

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 2023 is expected to be 17.0 cpu. The distribution guidance for the year ending 30 June 2023 is expected to be 16.0 cpu which will be paid in equal quarterly instalments.

Distributions

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

	30 June 2022		**30 June 2021**	
	Cents per unit	**$'000**	**Cents per unit**	**$'000**
September quarter	**4.325**	**27,307**	4.250	21,638
December quarter	**4.325**	**27,374**	4.250	23,404
March quarter	**4.325**	**27,420**	4.250	23,452
June quarter	**4.325**	**27,461**	4.250	23,451
Total	**17.300**	**109,562**	17.000	91,945

Key dates in connection with the 30 June 2022 distribution are:

Event	**Date**
Ex-distribution date	29 June 2022
Record date	30 June 2022
Distribution payment date	5 August 2022

Review of operations (continued)

Distributions (continued)

FFO for the year ended 30 June 2022 was $111.7 million (30 June 2021: $91.4 million), representing a 22.2% increase from prior year.

The Trust paid distributions of 17.3 cpu during the 2022 financial year which was in line with guidance provided as part of the June 2021 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 June 2022 $'000	30 June 2021 $'000
Net profit for the half-year	**367,480**	611,239
Adjustments:		
Net (gain) on fair value of investment properties	**(281,776)**	(523,329)
Straight-lining of rental income	**(12,168)**	(8,719)
Loss/(gain) on fair value of derivative financial instruments	**11,938**	(1,966)
Rent free and abatement	**7,717**	5,408
Amortisation of incentives and leasing fees	**4,048**	3,477
Transaction costs	**3,954**	5,330
Goodwill impairment expense	**10,501**	-
Funds from operations	**111,694**	91,440

The Trust issued 83.1 million units in September, December and March quarters to assist with the the acquisition of new properties. These units were entitled to a distribution for the full quarter, however as the properties acquired were not owned for the entire period, the income received from these properties was less than the distribution paid for these periods. Accordingly, this has resulted in total distributions for the year being higher than the funds from operations.

Distribution reinvestment plan

Distribution Reinvestment Plan ('DRP') remained activated in September quarter, December quarter and March quarter during the year. Unitholders could 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.

Events subsequent to balance date

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.

Indemnifying officers or auditors (continued)

Indemnification (continued)

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 June 2022 $'000	30 June 2021 $'000
Management fees	**22,472**	14,118
Leasing fees	**2,425**	767
Property management fees	**1,977**	1,652
Custodian fees	**1,764**	1,093
Facility management fees	**1,228**	964
Project management fees	**873**	815
Due diligence acquisition fees	**625**	375
	31,364	19,784

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 C8 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.

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 6.

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
4 August 2022

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 2022 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

4 August 2022

Centuria Industrial REIT
Annual Financial Report

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Revenue			
Rent and recoverable outgoings	B2	**203,525**	160,348
Total revenue from continuing operations		**203,525**	160,348
Other income			
Interest income		**26**	14
Net gain on fair value of investment properties		**281,776**	523,329
Gain on fair value of derivative financial instruments		**-**	1,966
Other income		**1,809**	-
Total other income		**283,611**	525,309
Total revenue from continuing operations and other income		**487,136**	685,657
Expenses			
Rates, taxes and other property outgoings		**44,096**	31,532
Finance costs	B3	**26,909**	25,860
Management fees	D2	**22,472**	14,118
Goodwill impairment expense	C4	**10,501**	-
Loss on fair value of derivative financial instruments		**11,938**	-
Other expenses		**3,740**	2,908
Profit from continuing operations for the year		**367,480**	611,239
Net profit for the year		**367,480**	611,239
Other comprehensive income			
Other comprehensive income for the year		**-**	-
Total comprehensive income for the year	B4	**367,480**	611,239
Basic and diluted earnings per unit			
Basic earnings per unit (cents per unit)	B4	**59.9**	117.7

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 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
ASSETS			
Current assets			
Cash and cash equivalents	C10	**26,604**	105,543
Trade and other receivables	C1	**14,830**	6,835
Other assets		**640**	2,464
Derivative financial instruments	C7	**5,032**	-
Investment properties held for sale	C3	**34,500**	9,000
Total current assets		**81,606**	123,842
Non-current assets			
Other non-current assets		**-**	35,459
Investment properties	C2	**4,066,426**	2,936,057
Intangibles	C4	**-**	10,501
Total non-current assets		**4,066,426**	2,982,017
Total assets		**4,148,032**	3,105,859
LIABILITIES			
Current liabilities			
Trade and other payables	C5	**47,029**	26,832
Distributions payable	B1	**27,461**	23,451
Total current liabilities		**74,490**	50,283
Non-current liabilities			
Borrowings	C6	**1,373,029**	933,276
Derivative financial instruments	C7	**11,168**	-
Total non-current liabilities		**1,384,197**	933,276
Total liabilities		**1,458,687**	983,559
Net assets		**2,689,345**	2,122,300
EQUITY			
Issued capital	C8	**1,840,488**	1,531,361
Retained earnings		**848,857**	590,939
Total equity		**2,689,345**	2,122,300

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 2022

	Note	Issued capital $'000	Retained earnings $'000	Total equity $'000
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	C8	465,786	-	465,786
Dividend reinvestment plan ('DRP')	C8	7,704	-	7,704
Equity raising costs	C8	(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**
Balance at 1 July 2021		1,531,361	590,939	2,122,300
Net profit for the year		-	367,480	367,480
Total comprehensive income for the year		**-**	**367,480**	**367,480**
Units issued	C8	302,611	-	302,611
Dividend reinvestment plan ('DRP')	C8	13,141	-	13,141
Equity raising costs	C8	(6,625)	-	(6,625)
Distributions provided for or paid	B1	-	(109,562)	(109,562)
Balance at 30 June 2022		**1,840,488**	**848,857**	**2,689,345**

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 2022

	Note	30 June 2022 $'000	30 June 2021 $'000
Cash flows from operating activities			
Receipts from customers		**212,652**	167,575
Payments to suppliers		**(78,782)**	(57,121)
Interest received		**26**	14
Interest paid		**(21,967)**	(26,801)
Net cash generated by operating activities	C10	**111,929**	83,667
Cash flows from investing activities			
Payments for investment properties		**(832,373)**	(889,008)
Proceeds from sale of investment properties		**10,281**	37,436
Net cash used in investing activities		**(822,092)**	(851,572)
Cash flows from financing activities			
Distribution paid		**(92,414)**	(79,503)
Proceeds from borrowings		**1,091,200**	827,093
Repayment of borrowings		**(650,500)**	(345,000)
Payments for borrowing costs		**(4,957)**	(2,398)
Payments for derivative financial instruments		**(8,091)**	-
Proceeds from issue of units		**302,611**	465,786
Equity issue costs		**(6,625)**	(9,608)
Net cash generated by financing activities		**631,224**	856,370
Net (decrease)/increase in cash and cash equivalents		**(78,939)**	88,465
Cash and cash equivalents at beginning of the financial year		**105,543**	17,078
Cash and cash equivalents at end of financial year	C10	**26,604**	105,543

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

Note to the financial statements

For the year ended 30 June 2022

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 4 August 2022.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for investment properties and derivative financial instruments 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 2021 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.

A2 Significant accounting policies (continued)

Use of estimates and judgements (continued)

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 C2), goodwill (per Note C4) 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 June 2022		30 June 2021	
	Cents per unit	$'000	Cents per unit	$'000
September quarter	**4.325**	**27,307**	4.250	21,638
December quarter	**4.325**	**27,374**	4.250	23,404
March quarter	**4.325**	**27,420**	4.250	23,452
June quarter	**4.325**	**27,461**	4.250	23,451
Total	**17.300**	**109,562**	17.000	91,945

Key dates in connection with the 30 June 2022 distribution are:

Event	Date
Ex-distribution date	29 June 2022
Record date	30 June 2022
Distribution payment date	5 August 2022

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 June 2022	30 June 2021
	$'000	$'000
Rental income	**160,150**	129,470
Recoverable outgoings	**31,207**	22,159
Straight-lining of lease revenue	**12,168**	8,719
	203,525	160,348

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.

B2 Revenue (continued)

Recognition and measurement (continued)

(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.

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 June 2022 $'000	30 June 2021 $'000
Interest expense	**22,879**	19,608
Loan repayment break costs	**-**	5,080
Amortisation of borrowing costs	**4,030**	1,172
	26,909	25,860

(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 June 2022	30 June 2021
Basic earnings per unit (cents per unit)	**59.9**	117.7
Earnings used in calculating basic earnings per unit ($'000)	**367,480**	611,239
Weighted average number of units ('000)	**613,264**	519,427

C Trust's assets and liabilities

C1 Trade and other receivables

	30 June 2022 $'000	30 June 2021 $'000
Current		
Trade debtors	**4,310**	3,876
Expected credit loss provision	**(205)**	(221)
Other current receivables	**10,725**	3,180
	14,830	6,835

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 $0.2 million ECL provision for the Trade receivables balance and $0.4m of rental waiver.

C2 Investment properties

	30 June 2022 $'000	30 June 2021 $'000
Opening balance	**2,936,057**	1,591,100
Purchase price of investment properties	**772,410**	785,455
Stamp duty and other transaction costs	**48,096**	47,424
Capital improvements and associated costs	**13,918**	4,928
Capital developments and associated costs	**32,136**	11,007
	866,560	848,814
Net gain on fair value of investment properties	**280,756**	525,629
Change in deferred rent and lease incentives	**15,051**	7,165
Disposed deferred rent and lease incentives	**(9)**	2,376
Change in capitalised leasing fees	**2,511**	573
Disposal at fair value	**-**	(39,600)
Closing gross balance	**4,100,926**	2,936,057
Transfer to investment properties held for sale	**(34,500)**	-
Closing balance^	**4,066,426**	2,936,057

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $57.7 million (2021: $40.2 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 June 2022 $'000	30 June 2021 $'000
Less than one year	**175,013**	135,750
Between one and five years	**538,254**	439,116
More than five years	**1,088,332**	1,056,285
	1,801,599	1,631,151

C2 Investment properties (continued)

Property	Fair value 30 June 2022 $'000	Fair value 30 June 2021 $'000	Capitalisation rate 30 June 2022 %	Capitalisation rate 30 June 2021 %	Discount rate 30 June 2022 %	Discount rate 30 June 2021 %	30 June 2022 Valuer	Last independent valuation date
VIC								
Telstra Data Centre, Clayton VIC	**560,000**	505,000	**3.13**	3.38	**5.25**	5.25	JLL	Jun 2022
95-105 South Gippsland Hwy, Dandenong Sth VIC~	**65,125**	15,607	**-**	-	**-**	-	Directors	-
207-219 Browns Rd, Noble Park VIC	**65,000**	56,000	**4.38**	5.00	**5.50**	6.00	Directors	Dec 2021
45 Fulton Dr, Derrimut VIC	**62,500**	56,000	**4.13**	4.50	**5.25**	6.00	Colliers	Jun 2022
324-332 Frankston-Dandenong Rd, Dandenong South VIC	**58,500**	50,000	**4.13**	4.65	**5.50**	5.75	Savills	Jun 2022
1 International Dr, Westmeadows VIC	**56,500**	49,000	**5.25**	5.75	**6.00**	6.00	JLL	Jun 2022
102-128 Bridge Rd, Keysborough VIC	**53,500**	47,500	**4.50**	5.25	**5.50**	6.00	JLL	Jun 2022
24-32 Stanley Dr, Somerton VIC	**43,000**	39,400	**4.50**	4.75	**5.75**	6.00	Directors	Dec 2021
110 Northcorp Boulevard, Broadmeadows VIC^	**42,000**	-	**3.88**	-	**5.50**	-	Directors	Dec 2021
69 Studley Ct, Derrimut VIC	**40,000**	35,000	**4.25**	4.65	**5.50**	5.50	Colliers	Jun 2022
2 Keon Pde, Keon Park VIC	**38,700**	35,500	**4.25**	4.50	**5.50**	6.00	Savills	Jun 2022
90 Bolinda Road, Campbellfield VIC^	**37,650**	-	**4.50**	-	**5.25**	-	Directors	Dec 2021
14-17 Dansu Ct, Hallam VIC	**37,500**	33,000	**4.00**	4.25	**5.25**	5.75	Colliers	Jun 2022
500 Princes Hwy, Noble Park VIC	**36,500**	30,500	**4.75**	5.00	**5.50**	5.75	C&W	Jun 2022
75-79 and 105 Corio Quay Rd, North Geelong VIC	**36,000**	34,300	**5.00**	5.00	**6.25**	6.50	Directors	Dec 2021
590 Heatherton Road, Port Melbourne VIC^	**27,550**	-	**4.00**	-	**5.50**	-	Savills	Jun 2022
513 Mt Derrimut Rd, Derrimut VIC	**27,000**	24,000	**4.13**	4.50	**5.25**	5.75	Colliers	Jun 2022
12-13 Dansu Ct, Hallam VIC	**26,500**	23,250	**4.00**	4.50	**5.25**	6.00	Colliers	Jun 2022
140 Fulton Dr, Derrimut VIC	**25,500**	23,350	**4.13**	4.50	**5.25**	6.00	Colliers	Jun 2022
49 Temple Dr, Thomastown VIC	**23,000**	19,750	**4.50**	5.00	**5.75**	6.00	Directors	Dec 2021
51-65 Wharf Road, Port Melbourne VIC^	**22,000**	-	**4.00**	-	**5.50**	-	Directors	Sep 2021
30 Fulton Drive, Derrimut VIC^	**20,550**	-	**4.50**	-	**5.75**	-	Directors	Aug 2021
179 Studley Crt, Derrimut VIC	**20,000**	18,300	**4.25**	4.50	**5.50**	5.75	Colliers	Jun 2022
159 & 169 Studley Court, Derrimut VIC^	**18,500**	-	**4.25**	-	**5.25**	-	Colliers	Jun 2022
870 Lorimer Street, Port Melbourne VIC^	**18,000**	-	**4.00**	-	**5.50**	-	Directors	Oct 2021
51-73 Lambeck Dr, Tullamarine VIC	**17,900**	16,600	**4.75**	5.00	**5.75**	6.00	Directors	Dec 2021

C2 Investment properties (continued)

Property	Fair value 30 June 2022 $'000	Fair value 30 June 2021 $'000	Capitalisation rate 30 June 2022 %	Capitalisation rate 30 June 2021 %	Discount rate 30 June 2022 %	Discount rate 30 June 2021 %	30 June 2022 Valuer	Last independent valuation date
40 Scanlon Dr, Epping VIC	**17,500**	15,500	**4.75**	5.25	**5.25**	6.25	Directors	Dec 2021
95 Fulton Dr, Derrimut VIC^	**12,000**	-	**4.25**	-	**5.50**	-	Savills	Jun 2022
346 Boundary Road, Derrimut VIC^	**11,850**	-	**5.25**	-	**5.75**	-	Directors	Jul 2021
43-49 Wharf Road, Port Melbourne VIC^	**11,450**	-	**4.25**	-	**5.75**	-	Directors	Dec 2021
85 Fulton Drive, Derrimut, VIC^	**7,350**	-	**4.75**	-	**5.50**	-	Directors	May 2021
9 Fellowes Ct, Tullamarine VIC	**6,850**	6,150	**4.75**	5.00	**5.75**	6.00	Directors	Dec 2021
31-35 Hallam South Road, Hallam VIC^	**6,200**	-	**5.75**	-	**6.50**	-	Directors	Jul 2021
NSW								
56-88 Lisbon Street, Fairfield NSW^	**200,200**	-	**3.88**	-	**5.50**	-	Savills	Jun 2022
2 Woolworths Way, Warnervale NSW	**120,000**	112,000	**4.75**	5.00	**5.50**	5.75	Directors	Dec 2021
67-69 Mandoon Rd, Girraween NSW	**86,000**	90,250	**4.50**	4.50	**5.50**	5.75	Directors	Jun 2021
12 Williamson Rd, Ingleburn NSW	**75,000**	48,000	**3.50**	4.75	**5.25**	6.00	Directors	Dec 2021
92-98 Cosgrove Rd, Enfield NSW	**73,300**	63,400	**3.88**	4.50	**5.25**	5.75	Directors	Dec 2021
29 Glendenning Rd, Glendenning NSW	**71,650**	64,000	**3.75**	4.13	**5.25**	5.75	Directors	Dec 2021
82 Rodeo Drive, Gregory Hills NSW^	**70,000**	-	**3.88**	-	**5.38**	-	Savills	Jun 2022
10 Williamson Rd, Ingleburn NSW	**67,000**	60,600	**4.25**	4.75	**5.50**	6.00	Knight Frank	Jun 2022
37-51 Scrivener St, Warwick Farm NSW	**66,200**	65,000	**4.00**	4.00	**5.50**	5.50	Directors	Dec 2021
457 Waterloo Rd, Chullora NSW	**47,800**	43,500	**4.00**	4.25	**5.50**	5.75	Colliers	Jun 2022
160 Newton Road, Wetherill Park NSW^	**40,400**	-	**3.88**	-	**5.25**	-	Directors	Dec 2021
74-94 Newton Rd, Wetherill Park NSW	**39,000**	39,000	**4.75**	4.75	**5.75**	6.00	Directors	Dec 2021
164 Newton Road, Wetherill Park NSW^	**38,750**	-	**3.88**	-	**5.25**	-	Directors	Dec 2021
8 Lexington Dr, Bella Vista NSW	**38,000**	28,500	**3.75**	4.50	**5.50**	6.00	CBRE	Jun 2022
30 Clay Pl, Eastern Creek NSW`	**-**	24,700	**-**	4.00	**-**	5.75	Directors	Dec 2021
6 Macdonald Rd, Ingleburn NSW	**33,500**	30,500	**4.00**	4.38	**5.50**	5.75	Directors	Dec 2021
52-74 Quarry Rd, Erskine Park NSW	**31,000**	26,500	**3.75**	4.00	**5.25**	5.75	Colliers	Jun 2022
8 Penelope Cres, Arndell Park NSW	**30,500**	27,500	**4.00**	4.38	**5.50**	5.88	Directors	Dec 2021
29 Penelope Crescent, Arndell Park NSW^	**30,250**	-	**4.00**	-	**5.50**	-	Directors	Dec 2021
144 Hartley Rd, Smeaton Grange NSW	**25,400**	21,800	**4.00**	4.25	**5.50**	5.75	JLL	Jun 2022
75 Owen St, Glendenning NSW	**17,100**	15,300	**3.75**	4.00	**5.00**	5.50	Directors	Dec 2021

C2 Investment properties (continued)

Property	Fair value 30 June 2022 $'000	Fair value 30 June 2021 $'000	Capitalisation rate 30 June 2022 %	Capitalisation rate 30 June 2021 %	Discount rate 30 June 2022 %	Discount rate 30 June 2021 %	30 June 2022 Valuer	Last independent valuation date
8 Hexham Place, Wetherill Park NSW^	**12,200**	-	**3.75**	-	**5.00**	-	Directors	Dec 2021
QLD								
46 Robinson Rd E, Virginia QLD	**300,000**	289,000	**3.75**	3.88	**5.50**	5.75	Savills	Jun 2022
60-80 Southlink St, Parkinson QLD	**59,700**	56,200	**4.38**	4.63	**5.75**	6.00	CBRE	Jun 2022
1 Ashburn Rd, Bundamba QLD	**59,200**	55,400	**4.50**	4.75	**5.50**	5.25	Savills	Jun 2022
22 Hawkins Cres, Bundamba QLD	**56,200**	56,200	**4.63**	4.88	**5.75**	6.00	Directors	Dec 2021
1 Lahrs Rd, Ormeau QLD	**55,000**	51,500	**4.38**	4.63	**5.50**	6.00	Savills	Jun 2022
33-37 Mica St, Carole Park QLD	**39,500**	39,200	**5.00**	5.00	**6.00**	6.25	CBRE	Jun 2022
149 Kerry Rd, Archerfield QLD	**38,000**	35,800	**4.75**	5.00	**5.75**	5.75	Directors	Dec 2021
21 Jay St, Mount St John, Townsville QLD*	**36,700**	32,700	**5.00**	5.50	**6.25**	6.25	Directors	Dec 2021
69 Rivergate Pl, Murarrie QLD	**34,300**	36,600	**5.00**	5.00	**5.75**	5.75	Directors	Dec 2021
46 Gosport St, Hemmant QLD	**32,200**	27,500	**5.00**	5.50	**5.50**	6.25	M3	Jun 2022
680 Boundary St, Richlands QLD	**29,600**	24,000	**5.00**	5.50	**5.75**	6.25	CBRE	Jun 2022
Lot 5 243 Bradman Street, Acacia Ridge QLD^	**26,600**	-	**4.25**	-	**5.75**	-	CBRE	Jun 2022
42 Hoepner Rd, Bundamba QLD	**24,300**	18,100	**4.75**	-	**5.50**	6.00	M3	Jun 2022
616 Boundary Rd, Richlands QLD	**24,000**	21,000	**5.50**	5.75	**6.00**	6.00	Directors	Dec 2021
55 Musgrave Road, Coopers Plains QLD^	**22,000**	-	**5.00**	-	**5.75**	-	Directors	Dec 2021
51 Depot St, Banyo QLD^	**21,800**	-	**4.25**	-	**5.25**	-	M3	Jun 2022
31 Gravel Pit Road, Darra QLD^	**19,100**	-	**4.75**	-	**5.75**	-	Savills	Jun 2022
35 Cambridge St, Coorparoo QLD	**15,500**	14,500	**5.00**	5.50	**6.00**	6.25	Directors	Dec 2021
24 West Link Pl, Richlands QLD	**10,800**	9,500	**5.00**	5.50	**5.75**	6.25	Directors	Dec 2021
43-45 Mica St, Carole Park QLD	**2,100**	1,950	**5.00**	5.25	**-**	-	CBRE	Jun 2022

C2 Investment properties (continued)

Property	Fair value 30 June 2022 $'000	Fair value 30 June 2021 $'000	Capitalisation rate 30 June 2022 %	Capitalisation rate 30 June 2021 %	Discount rate 30 June 2022 %	Discount rate 30 June 2021 %	30 June 2022 Valuer	Last independent valuation date
WA								
310 Spearwood Ave, Bibra Lake WA	**75,000**	61,750	**5.75**	6.25	**6.50**	6.75	JLL	Jun 2022
Lot 14 Sudlow Rd, Bibra Lake WA	**45,000**	41,500	**5.75**	6.25	**6.50**	6.75	JLL	Jun 2022
48-54 Kewdale Road, Welshpool WA^	**37,500**	-	**5.50**	-	**6.85**	-	CBRE	Jun 2022
23 Selkis Rd, Bibra Lake WA	**30,300**	21,750	**5.00**	6.25	**5.75**	7.25	JLL	Jun 2022
16-18 Baile Rd, Canning Vale WA	**22,300**	19,250	**5.25**	6.00	**5.75**	6.50	Directors	Dec 2021
103 Stirling Cres, Hazelmere WA	**20,600**	17,500	**5.50**	6.00	**6.75**	7.25	CBRE	Jun 2022
92 Robinson Rd, Belmont WA	**13,750**	12,500	**5.75**	6.00	**6.50**	7.00	Savills	Jun 2022
155 Lakes Rd, Hazelmere WA	**11,500**	10,000	**5.25**	6.00	**6.50**	7.00	CBRE	Jun 2022
204-208 Bannister Road, Canning Vale WA^	**10,050**	-	**-**	-	**-**	-	Directors	May 2022
SA								
23-41 Galway Ave, Marleston SA	**40,500**	36,000	**4.75**	5.00	**6.25**	6.25	JLL	Jun 2022
32-54 Kaurna Ave, Edinburgh Park SA	**25,500**	19,000	**4.75**	6.25	**6.25**	7.00	Directors	Dec 2021
27-30 Sharp Court, Caven SA^	**23,254**	-	**4.25**	-	**5.25**	-	Knight Frank	Jun 2022
9-13 Caribou Dr, Direk SA	**12,700**	11,400	**5.25**	5.75	**6.00**	6.50	Directors	Dec 2021
15-19, Caribou Drive, Direk SA (Lot 16)^	**2,297**	-	**-**	-	**-**	-	Directors	Dec 2021
ACT								
54 Sawmill Cct, Hume ACT*	**24,150**	22,000	**4.75**	5.00	**5.75**	6.00	Directors	Dec 2021
	4,066,426	2,936,057						

C2 Investment properties (continued)

* 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 acquisition of Site 1 was completed in July 2021. The fair value of prior period balance includes Site 2 only. This property is under development and the fair value based on development progress is $65.1 million.
# The Trust sold 99 Quill Way, Henderson WA on 26 November 2021 for $10.5 million.
' 30 Clay Place, Eastern Creek NSW was classified as investment property held for sale. Refer to Note C3 for more information.
The Trust's weighted average capitalisation rate for the year is 4.19% (2021: 4.54%).

C2 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 2022	30 June 2021
Market rent	Increase	Decrease	$25 - $1,416	$25 - $641
Capitalisation rate	Decrease	Increase	3.13% - 5.75%	3.38% - 7.75%
Discount Rate	Decrease	Increase	5.00% - 6.85%	5.25% - 8.00%

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

C2 Investment properties (continued)

Fair value measurement (continued)

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:

Fair Value at 30 June 2022 $'000	Capitalisation rate impact +0.25% $'000	-0.25% $'000
4,066,426	(228,900)	258,100

C3 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 June 2022 $'000	30 June 2021 $'000
99 Quill Way, Henderson WA	**-**	9,000
30 Clay Pl, Eastern Creek NSW	**34,500**	-
	34,500	9,000

The Trust sold 99 Quill Way, Henderson WA for a gross sale price of $10.5 million plus GST on 26 November 2021.

On 1 June 2022, the Trust entered into a contract to sell 30 Clay Pl, Eastern Creek NSW for $34.5 million. Settlement is expected to incur within 6 months from the date of exchange, subject to Foreign Investment Review Board (FIRB) approval..

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 C2.

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.

C4 Intangibles

Goodwill

	30 June 2022 $'000	30 June 2021 $'000
Goodwill - at cost	**-**	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.

C4 Intangibles (continued)

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.

As at 30 June 2022, the Trust has performed an impairment assessment around the carrying value of its intangibles and given the substantial discount in the Trust's traded market value compared with its Net Tangible Assets (NTA), its goodwill balance of $10.5 million has been assessed as impaired and written off through the profit and loss statement.

C5 Trade and other payables

	30 June 2022 $'000	30 June 2021 $'000
Current		
Trade creditors and expenses payable	**14,684**	7,804
Other current creditors and accruals	**32,345**	19,028
	47,029	26,832

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).

C6 Borrowings

	30 June 2022 $'000	30 June 2021 $'000
Non-current		
Secured		
Secured loan - fixed	**-**	100,000
Secured loan - variable	**-**	836,500
Borrowing costs	**-**	(3,224)
	-	933,276
Unsecured		
Unsecured loan - variable	**927,200**	-
Unsecured medium term note (A$MTN) - fixed	**350,000**	-
Unsecured loan - fixed	**100,000**	-
Borrowing costs	**(4,171)**	-
	1,373,029	-

C6 Borrowings (continued)

The Trust refinanced the secured multi-bank loan facility to an unsecured debt platform on 12 November 2021. A wholly owned subsidiary, CIP Funding Pty Ltd, was established to be the new borrower and the unsecured loan facility is guaranteed by the Trust and it's subsidiaries.

During the year, Moody's Investor Services assigned the Trust a Baa2 issuer rating with a stable outlook.

On 16 December 2021, the Trust issued a $350.0 million six-year Australian Dollar Medium Term Note ('A$MTN') at a fixed rate of 3.026%. This fixed rate note was swapped to a floating rate exposure and separately entered into a new three-year interest rate swap, reducing the issuance cost of debt to 2.4% for the first three years. Proceeds from the note were used to refinance the Trust's existing drawn debt.

As at 30 June 2022, the Trust had the following debt facilities:

	30 June 2022 $'000	30 June 2021 $'000
Secured loan facilities		
Facilities limit	**-**	1,210,000
Facilities unused	**-**	(273,500)
Facilities used	**-**	936,500
Unsecured loan facility		
Facilities limit	**1,610,000**	-
Facilities unused	**(232,800)**	-
Facilities used	**1,377,200**	-

At the end of the year, the Trust had 61.7% of its drawn debt hdeged (2021: NIL).

As at 30 June 2022, the Trust had $450.0 million (2021: $100.0 million) of fixed rate borrowings of which $350 million has been swapped into a floating rate exposure. At the end of the year, the Trust's drawn debt that is on a fixed interest basis is $850.0 million (2021: $100.0 million).

The Trust's loan has covenants in relation to Interest Coverage Ratio ('ICR'), Gearing Ratio, Priority Debt Ratio, Unencumbered Asset Ratio, Development Ratio and Guarantor Coverage 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.

C7 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 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 interest rate	Notional amount of contract $'000	Fair value of contracts $'000
Current				
30 June 2022				
Interest rate swap	30 Jun 2023	0.33%	**100,000**	**2,752**
Interest rate cap	15 Jun 2023	2.00%	**200,000**	**2,280**
			300,000	**5,032**

Type of contract	Maturity date	Contracted interest rate	Notional amount of contract $'000	Fair value of contracts $'000
Non-current				
30 June 2022				
Interest rate swap	28 Jun 2024	0.54%	**50,000**	**2,743**
Interest rate swap	30 Jun 2024	0.54%	**50,000**	**2,739**
Interest rate swap*	16 Dec 2024	1.00%	**350,000**	**20,168**
Interest rate swap*	16 Dec 2027	BBSY	**(350,000)**	**(36,818)**
			100,000	**(11,168)**

* Hedged against the $350 million Australian Dollar Medium Term Note.

The Trust terminated all swaps on 30 June 2021. All existing swaps are established on or after 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.

C8 Issued capital

	30 June 2022 Units '000	30 June 2022 $'000	30 June 2021 Units '000	30 June 2021 $'000
Opening balance	**551,808**	**1,531,361**	400,275	1,067,398
Units issued	**79,642**	**302,611**	149,036	465,786
Distribution reinvestment plan ('DRP')	**3,481**	**13,141**	2,497	7,704
Equity raising costs	**-**	**(6,625)**	-	(9,527)
Closing balance	**634,931**	**1,840,488**	551,808	1,531,361

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.

C9 Contingent assets, liabilities and commitments

The Trust has committed to construct a six-unit industrial estate on 95-105 South Gippsland Hwy, Dandenong South VIC with an estimated total development cost of $62.5 million plus GST. As at 30 June the Trust has spent $31.6 million (plus GST) on this development project.

90 Bolinda Road, Campbellfield VIC will be redeveloped into a sustainable five-unit industrial estate with an estimated total development cost of $66.5 million plus GST.

Industrial estate development at 204-208 Bannister Road, Canning Vale WA with an estimated total development cost of $18.1 million plus GST.

C10 Cash and cash equivalents

	30 June 2022 $'000	30 June 2021 $'000
Cash and cash equivalents	**26,604**	105,543
	26,604	105,543

Reconciliation of profit for the year to net cash flows from operating activities:

	30 June 2022 $'000	30 June 2021 $'000
Net profit for the year	**367,480**	611,239
Adjustments:		
Net gain on fair value of investment properties	**(281,776)**	(523,329)
Loss/(gain) on fair value of derivatives	**11,938**	(1,966)
Change in deferred rent and lease incentives	**(9,859)**	(6,594)
Change in capitalised leasing fees	**1,738**	1,352
Borrowing cost amortisation	**4,030**	1,172
Goodwill impairment expense	**10,501**	-
Changes in operating assets and liabilities:		
Increase in receivables	**(7,993)**	(1,031)
Increase in other assets	**(584)**	(58)
Increase in payables	**16,454**	2,882
Net cash generated by operating activities	**111,929**	83,667

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

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 C4 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.

D1 Interest in material subsidiaries (continued)

Recognition and measurement (continued)

(iii) Subsidiaries (continued)

Name of entity	Country of domicile	Class of units	Equity interest 30 June 2022 %	30 June 2021 %
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	100
CIP Sub Trust No. 3	Australia	Ordinary	100	100
CIP Sub Trust No. 4	Australia	Ordinary	100	100
CIP Sub Trust No. 5	Australia	Ordinary	100	100
CIP Sub Trust No. 6	Australia	Ordinary	100	100
CIP Sub Trust No. 7	Australia	Ordinary	100	100
CIP Sub Trust No. 8	Australia	Ordinary	100	100
CIP Sub Trust No. 9	Australia	Ordinary	100	100
CIP Sub Trust No. 10	Australia	Ordinary	100	100
CIP Sub Trust No. 11	Australia	Ordinary	100	100
CIP Sub Trust No. 12	Australia	Ordinary	100	-
CIP Sub Trust No. 13	Australia	Ordinary	100	-
CIP Sub Trust No. 14	Australia	Ordinary	100	-
CIP Sub Trust No. 15	Australia	Ordinary	100	-
CIP Sub Trust No. 16	Australia	Ordinary	100	-
CIP Sub Trust No. 17	Australia	Ordinary	100	-
CIP Sub Trust No. 18	Australia	Ordinary	100	-
CIP Sub Trust No. 19	Australia	Ordinary	100	-
CIP Sub Trust No. 20	Australia	Ordinary	100	-
CIP Sub Trust No. 21	Australia	Ordinary	100	-
CIP Sub Trust No. 22	Australia	Ordinary	100	-
CIP Sub Trust No. 23	Australia	Ordinary	100	-
CIP Sub Trust No. 24	Australia	Ordinary	100	-
CIP Sub Trust No. 25	Australia	Ordinary	100	-

D1 Interest in material subsidiaries (continued)

Recognition and measurement (continued)

(iii) Subsidiaries (continued)

Name of entity	Country of domicile	Class of units	Equity interest 30 June 2022 %	Equity interest 30 June 2021 %
CIP Sub Trust No. 26	Australia	Ordinary	100	-
CIP Sub Trust No. 27	Australia	Ordinary	100	-
CIP Sub Trust No. 28	Australia	Ordinary	100	-
CIP Sub Trust No. 29	Australia	Ordinary	100	-
CIP Sub Trust No. 30	Australia	Ordinary	100	-
CIP Sub Trust No. 31	Australia	Ordinary	100	-
CIP Funding Pty Ltd	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
Natalie Collins
Jennifer Cook Appointed 1 July 2021
Nicholas Collishaw Resigned 30 August 2021

No compensation is paid directly by the Trust to any 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 financial year.

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 June 2022 $'000	30 June 2021 $'000
Management fees	**22,472**	14,118
Leasing fees	**2,425**	767
Property management fees	**1,977**	1,652
Custodian fees	**1,764**	1,093
Facility management fees	**1,228**	964
Project management fees	**873**	815
Due diligence acquisition fees	**625**	375
	31,364	19,784

At reporting date an amount of $3,347,802 (2021: $1,917,744) 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.

D2 Related parties (continued)

Responsible entity fees and other transactions (continued)

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 Fund

At 30 June 2022, the Trust did not hold any units in the related parties of the Responsible Entity (30 June 2021: nil).

Units in the Trust held by related parties

At 30 June 2022, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
30 June 2022		
Centuria Capital No. 2 Industrial Fund	**77,319,885**	**12.18%**
Centuria Capital No. 5 Fund	**21,593,800**	**3.40%**
Centuria Property Funds No. 2 Limited	**2,181,086**	**0.34%**
Centuria Growth Bond Fund	**895,191**	**0.14%**
Centuria Balanced Fund	**385,129**	**0.06%**
Roger Dobson	**50,703**	**0.01%**
Simon Holt	**6,535**	**-%**
Jennifer Cook	**5,729**	**-%**
Natalie Collins	**5,464**	**-%**
	102,443,522	**16.13%**
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%
Jason Huljich	557,971	0.10%
Centuria Balanced Fund	485,879	0.09%
Roger Dobson	50,703	0.01%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
	94,743,650	17.17%

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.

	30 June 2022 $'000	30 June 2021 $'000
Financial position		
Assets		
Current assets	**19,124**	59,161
Non-current assets	**2,819,179**	3,032,994
Total assets	**2,838,303**	3,092,155
Liabilities		
Current liabilities	**40,541**	36,580
Non-current liabilities	**108,417**	933,275
Total liabilities	**148,958**	969,855
Net assets	**2,689,345**	2,122,300
Equity		
Issued capital	**1,840,488**	1,531,361
Retained earnings	**848,857**	590,939
Total equity	**2,689,345**	2,122,300
Financial performance		
Profit for the year	**367,480**	611,239
Total comprehensive income for the year	**367,480**	611,239

E Other notes

E1 Auditor's remuneration

	30 June 2022 $'000	30 June 2021 $'000
KPMG:		
Audit and review of financials	**330**	218
Property due diligence services & advice	**174**	-
	504	218

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 $450.0 million and the fair value is $416.2 million at 30 June 2022. 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.

E2 Financial instruments (continued)

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.

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 June 2022		30 June 2021	
	Effective interest rate	Total $'000	Effective interest rate	Total $'000
Financial assets				
Cash and cash equivalents	**0.01%**	**26,604**	0.01%	105,543
		26,604		105,543
Financial liabilities				
Borrowings - fixed (excluding borrowing costs)	**3.00%**	**100,000**	3.00%	100,000
Medium term note (A$MTN) - fixed (excluding borrowing costs)	**3.03%**	**350,000**	-%	-
Borrowings - variable (excluding borrowing costs)	**1.56%**	**927,200**	1.47%	836,500
		1,377,200		936,500

E2 Financial instruments (continued)

Market risk (continued)

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 (2021: 100) basis points ('bps') higher or lower and all other variables were held constant, the impact to the Trust would have been as follows:

		Sensitivity impact	
	Variable + / -	Rate increase $'000	Rate decrease $'000
30 June 2022			
Net (loss)/profit	**100 bps**	**(4,298)**	**5,174**
		(4,298)	**5,174**
30 June 2021			
Net (loss)/profit	100 bps	5,033	(5,354)
		5,033	(5,354)

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 2022, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2022. 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.

E2 Financial instruments (continued)

Liquidity risk (continued)

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 2022					
Trade and other payables	**-%**	**74,490**	**74,490**	**-**	**-**
Borrowings	**1.53%**	**1,505,338**	**30,050**	**1,017,423**	**457,865**
Derivative financial instruments	**2.10%**	**(6,133)**	**9,685**	**(11,683)**	**(4,135)**
		1,573,695	**114,225**	**1,005,740**	**453,730**
30 June 2021					
Trade and other payables	-%	50,283	50,283	-	-
Borrowings	1.49%	1,018,269	17,118	899,652	101,499
		1,068,552	67,401	899,652	101,499

The principal amounts included in the above borrowings is $1,377.2 million (2021: $936.5 million).

E3 Events subsequent to reporting date

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 2022

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 7 to 38 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 2022 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
4 August 2022

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 2022 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 2022;
- 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 these requirements.

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.

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.

KPMG

Valuation of investment property (4,066.4m)	
Refer to Note C2 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 98.0% 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, including consideration of the recent economic uncertainties, using internal methodologies and through the use of external valuation experts. We focused on the significant forward-looking assumptions the Group applied in external and internal valuation models with a consideration to the impact of economic uncertainty 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: net market rent 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 valuations of investment property, including specific considerations of the impact of recent changes in interest rates and inflation 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. Working with our real estate valuation specialists we: • Gaining an understanding of prevailing market conditions, including existence of market transactions, and • Performed a risk assessment of the investment property portfolio by assessing key assumptions and metrics including the capitalisation rate, discount rate, weighted average lease expiry and market rents to identify investment properties with significant valuation movements and outliers in key assumptions. For externally valued investment properties: • Taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates 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; • We also tested, on a sample basis, other key inputs to the investment property valuations such as net market rent, occupancy rate, lease

	terms, for consistency to existing lease contracts. • We assessed sources of information for what reasonable expectations existed at year end date versus those issues or observations emerging since year end, and their impact to the Group's investment properties values; • Enquire with the external valuers on a sample basis to challenge the investment property valuation methodology and the assumptions applied in the external valuations. For internally valued investment properties: • Taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed the appropriateness of adopted discount and cap rates 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; • Comparing the advice obtained from the external valuers on the weighted average change in capitalisation rates, including any outliers, to the capitalisation rates applied in the Directors' internal valuations of investment properties For financial statement disclosure: • 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 economic uncertainty 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 stock exchange 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 and will 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 and Fund 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.

KPMG

KPMG

Peter Zabaks
Partner
Sydney
4 August 2022

Corporate Governance Statement

The corporate governance statement for the Trust was last updated on 21 September 2021 and is available on the Centuria website at https://centuria.com.au/centuria-capital/corporate/sustainability/governance/.

Additional stock exchange information

As at 24 July 2022

Distribution of units

Holding	Number of units	Number of holders	Percentage of total (%)
1 - 1000	652,540	1,523	0.10
1,001 - 5,000	11,997,659	3,977	1.89
5,001 - 10,000	22,529,412	3,024	3.55
10,001 - 100,000	85,323,556	3,653	13.44
100,001 and over	514,427,468	135	81.02
	634,930,635	**12,312**	**100.00**

Substantial unitholders

	Number of units	Percentage of total (%)
CENTURIA CAPITAL GROUP	102,375,091	16.12
THE VANGUARD GROUP	48,372,747	7.62
BLACKROCK INC	38,410,975	6.05
Total	**189,158,813**	**29.79**

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	135,209,825	21.30
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	110,935,822	17.47
CITICORP NOMINEES PTY LIMITED	56,473,826	8.89
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	45,136,934	7.11
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	32,182,951	5.07
NATIONAL NOMINEES LIMITED	30,540,053	4.81
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	21,593,800	3.40
BNP PARIBAS NOMS PTY LTD	19,518,398	3.07
CITICORP NOMINEES PTY LIMITED	5,260,950	0.83
BNP PARIBAS NOMINEES PTY LTD	4,963,246	0.78
BNP PARIBAS NOMINEES PTY LED HUB24 CUSTODIAL SERV LTD	3,235,919	0.51
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	3,059,403	0.48
NETWEALTH INVESTMENTS LIMITED	2,524,513	0.40
CHARTER HALL WHOLESALE MANAGEMENT LIMITED	2,500,000	0.39
CENTURIA PROPERTY FUNDS NO 2 LIMITED	2,181,086	0.34
BNP PARIBAS NOMINEES PTY LTD	2,090,970	0.33
BNP PARIBAS NOMS (NZ) LTD	1,944,113	0.31
ONE MANAGED INVESTMENT FUNDS LTD	1,800,000	0.28
ARTMAX INVESTMENTS LIMITED	1,441,299	0.23
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,401,834	0.22
	483,994,942	**76.22**