APPENDIX 4D

Industria Trust No. 1 (ARSN 125 862 875)
Half-Year Report
Half-year ended 31 December 2016

Results for announcement to the market

	Industria Trust No. 1 and its controlled entities	
	$'000	
Revenues from ordinary activities	up 16.2% to 22,468	
Profit from ordinary activities after tax attributable to members	down 58.2% to 8,304	
Net profit for the period attributable to members	down 58.2% to 8,304	
Funds from operations (FFO)[1]	up 35.5% to 14,214	
Net tangible assets per Security	**31 Dec 2016** $2.08	**30 June 2016** $2.12

[1] Funds from Operations (FFO) for the financial half-year has been calculated as follows:

	Industria Trust No. 1 and its controlled entities	
	1H2017 $'000	**1H2016 $'000**
Net profit attributable to Securityholders	8,304	19,873
Adjusted for:		
- Straight line lease revenue recognition	(574)	(395)
- Net (gain)/loss on change in fair value of:		
Investment properties	5,800	(9,483)
Derivatives	(1,929)	74
- Deferred tax provision	870	(672)
- Amortised borrowing costs	159	140
- Amortised leasing incentives and costs[1]	1,584	953
Funds from Operations	**14,214**	**10,490**

[1] *Includes a lease incentive amortisation expense of $0.2 million arising as a result of the expected early exercise of a tenant lease break option. This amount is one-off in nature, reducing comprehensive income and therefore increasing the amortised leasing incentives and costs adjustment when calculating FFO for the period. It should be noted that this amount will not be repeated in 2H17 and therefore should be excluded for the purposes of extrapolating an annual amortised leasing incentives and costs expense.*

Distributions	**Amount per Security (cents)**	**$'000**
Interim – 31 December 2016	8.00	13,049
Previous corresponding period	7.50	9,226
Record date for determining entitlements to the distribution	30 December 2016	
Details of any distribution reinvestment plan in operation	N/A	
Last date for receipt of an election notice for participation in any distribution reinvestment plan	N/A	

Note: Franked amount per unit is not applicable

Other information	**1H2017**	**1H2016**
Distribution declared $'000	13,049	9,226
DPS	8.00 cents per security	7.50 cents per security
FFO payout ratio	91.80%	88.0%

For further details, please refer to the following documents:

- Directors' Report and Financial Statements (attached)
- Half-year Results Announcement (separate ASX release)
- Investor presentation (separate ASX release)

CChurchill

Chantal Churchill
Company Secretary

20 February 2017

‘Industria REIT’ being

Industria Trust No. 1 and its Controlled Entities

ARSN 125 862 875

Financial Report for the Half-Year

Ended 31 December 2016

Contents

Directors' Report

The Directors of APN Funds Management Limited ('APN FM'), the Responsible Entity of Industria Trust No. 1 ('Trust'), present their report on the consolidated entity ('Group'), being Industria Trust No. 1 and its controlled entities, for the half-year ended 31 December 2016.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

The following persons were Directors of the Responsible Entity during the period and up to the date of this report:

Directors of APN Funds Management Limited

Geoff Brunsdon
Howard Brenchley
Jennifer Horrigan
Michael Johnstone
Michael Groth (Alternate Director)

Review of operations

The results of the operations of the Group are disclosed in the condensed consolidated statement of profit or loss and other comprehensive income of these financial statements. The Group's total comprehensive income was $8,304,000 for the half-year ended 31 December 2016 (31 December 2015: $19,873,000).

Results for the half-year ended 31 December 2016 are outlined below:

	1H17 $'000	1H16 $'000
Net rental income	17,780	14,138
Other income	-	41
Operating expenses	(1,682)	(1,432)
Net profit before interest, tax and other items	**16,098**	**12,747**
Net (loss) / gain in fair value adjustments on investment properties	(5,800)	9,483
Fair value gain / (loss) on derivatives	1,929	(74)
Net interest expense	(3,053)	(2,955)
Net profit before tax	**9,174**	**19,201**
Income tax (expense) / credit – deferred	(870)	672
Comprehensive income	**8,304**	**19,873**

Directors' Report (continued)

Review of operations (Continued)

The Responsible Entity uses the Group's 'Funds From Operations' (FFO) as an additional performance indicator. FFO does not take into account certain items recognised in the consolidated statement of profit or loss and other comprehensive income including unrealised gains or losses on the revaluation of the Group's investment properties and derivatives.

FFO for the half year ended 31 December 2016 has been calculated as follows:

	1H17 $'000	1H16 $'000
Comprehensive income	**8,304**	**19,873**
Adjusted for:		
Add back amortised borrowing costs	159	140
Add back amortised leasing incentives and costs[1]	1,584	953
Reverse straight lining of rent	(574)	(395)
(Deduct) / Add back fair value (gain) / loss on derivatives	(1,929)	74
Add back / (Deduct) fair value loss / (gain) on investment properties	5,800	(9,483)
(Deduct) / Add back deferred tax expense / (credit)	870	(672)
FFO	**14,214**	**10,490**
FFO (cents per security)	9.8	8.5
Distribution per security (cents per security)	8.0	7.5
Payout ratio (Distribution / FFO)	91.8%	88.0%
Statutory earnings per security (cents per security)	5.7	16.1
Weighted average securities on issue (millions)	145.7	123.2
Securities on issue (millions)	163.1	123.0
Distribution declared ($'000)	13,049	9,226

[1] Includes a lease incentive amortisation expense of $0.2 million arising as a result of the expected early exercise of a tenant lease break option. This amount is one-off in nature, reducing comprehensive income and therefore increasing the amortised leasing incentives and costs adjustment when calculating FFO for the period. It should be noted that this amount will not be repeated in 2H17 and therefore should be excluded for the purposes of extrapolating an annual amortised leasing incentives and costs expense.

The comprehensive income for the six month period ended 31 December 2016 was $8.3 million, compared to $19.9 million in the previous corresponding period, with the reduction in profit largely due to the write off of transactional costs totalling $8.8 million associated with the September 2016 acquisition of 1-3 WesTrac Drive, Tomago (WesTrac Newcastle).

FFO rose 15.3% from 8.5 cents per security in 1H16 to 9.8 cents per security in 1H17.

Acquisition of WesTrac Newcastle and on-market securities issue

On 27 September 2016, the Group acquired WesTrac Newcastle for $158.6 million. The property is 100% leased to WesTrac, a wholly owned subsidiary of Seven Group Holdings (ASX: SVW), and benefits from a triple-net lease for 18 years and an initial yield of 7.25% growing annually at the greater of 3% or CPI.

The acquisition was widely supported by Industria's register and partly funded by an $85 million equity raise. The equity raise comprised of a $19.8 million placement and a $65.2 million non-renounceable entitlement offer of 1 new stapled security for every 4 existing stapled securities at an issue price of $2.12. A total of 40,094,690 stapled securities were issued and allotted to investors.

Existing bank debt was in-part refinanced for 3 and 5 year terms, and a new bank debt facility for 5 years was also established to fund the acquisition. This financing arrangement improved the debt expiry profile by reducing near term refinancing and bullet repayment risks.

Directors' Report (continued)

Net tangible assets and asset valuations

The portfolio is now valued at $552.3 million, up from $417.9 million at 30 June 2016. The increase in value is largely attributable to the $158.6 million acquisition of WesTrac Newcastle, and partially offset by the sales (completed in mid-2016) of 7 Brandl St and 85 Brandl St, Eight Mile Plains, for $32.7 million (pre sales costs and settlement adjustments). In addition, five assets were independently revalued with a net valuation uplift of $3.4 million recorded. 66% of the portfolio has been revalued in either June 2016 or December 2016.

Significant valuation movements during the period are highlighted below:

- 80-96 South Park Drive, Dandenong South, increased in value to $21.45 million, $1.25m (6.2%) higher than the carrying value. The increase in value was primarily driven by the lease renewal agreed with Shriro, a tenant that occupies approximately half of the occupied area and had a lease expiry in February 2019. This lease has been extended until February 2024, increasing the WALE to 7.1 years. Due to the lower risk profile of the asset, the valuer tightened the cap rate by 50 basis points to 6.75%.

- 34 Australis Drive, Derrimut, increased in value by $1.3 million (5.4%) to $25.3 million, after the valuer adopted a cap rate of 6.75%, 25 basis points tighter than the prior valuation (dated December 2015). This reflects the high levels of demand for properties with long weighted average lease expiries (the subject property has a WALE of 5.9 years) and comparable sales completed.

Other assets independently revalued were: 89 West Park Drive, Derrimut (increased $0.8 million (4.7%) to $18.2 million); 18 Brandl St (increased $0.2m (2.0%) to $11.7 million); and 37 Brandl St (decreased $0.2 million (1.3%) to $13.0 million).

Offsetting the $3.4 million uplift was an $8.8 million write-off of stamp duty and acquisition costs associated with the WesTrac Newcastle acquisition. Total equity increased to $339.1 million following the equity raising; however the net impact of the items listed above resulted in Net Tangible Assets falling from $2.12 to $2.08 per security. This is $0.03 higher than the $2.05 pro-forma NTA announced at the time of the WesTrac Newcastle acquisition and equity raising.

The carrying values of the balance of the portfolio were reviewed by the Directors at 31 December 2016. The carrying values are largely consistent with fair value and accordingly no other revaluations were posted.

Leasing

Positive leasing momentum continues across the portfolio, with 17,600 square metres of leasing completed during the period. 2,300 square metres of vacancy was leased at Brisbane Technology Park and a number of key renewals were completed, including a February 2019 expiry over 10,000 square metres at South Park Drive, Dandenong South.

5 Butler Boulevard at Adelaide Airport is performing strongly, with terms agreed over two 2017 expiries, and Unit A – which was vacated in August 2016 being re-leased on a short term basis until April 2017. Despite having limited space for new tenants to occupy we continue to have good levels of enquiry, which reflects the high quality location and attractive workspaces offered by the property.

After taking into consideration leasing activity during the period, and the inclusion of WesTrac Newcastle into the portfolio, the weighted average lease expiry at 31 December 2016 increased to 7.8 years and occupancy was 96%.

Directors' Report (continued)

Market Overview

Brisbane Suburban Office Market

Tenant demand across the suburban market has been constrained to largely small-to-medium sized tenants. These tenants have typically being seeking to upgrade their premises and take advantage of higher levels of vacancy across the market to lock in long term deals on favourable terms. We expect this to continue for the short term, and are focusing on enhanced levels of tenant engagement and service to create a point of difference and drive performance of our properties at Brisbane Technology Park.

Investment demand continues to be targeted at assets with low risk profiles. Industria's two asset sales in mid-2016 - 7 Brandl St and 85 Brandl St – were at an average premium to book value of 13%. The premium to book value achieved reflected the fully leased nature of the assets, which was achieved through lease-up in 2015-2016.

Sydney Suburban Office Market

The strength in Sydney office markets, largely driven by the withdrawal of supply for alternative use or redevelopment, has resulted in higher levels of tenant demand across the market. In the suburbs this demand has largely been driven by tenants seeking well located and affordable accommodation, especially when considering the increasing rent disparity to the Sydney CBD which has resulted in rents in Rhodes being less than half of Sydney CBD prime gross effective rents. This dynamic has positive implications for Industria's assets at Rhodes and we are confident the performance of these assets will improve over the second half of the financial year.

Investment demand continues to be strong although there is a lack of stock availability to fill this demand. Demand is the strongest for assets with long weighted average lease expiries, with properties recently trading in the low 6% or high 5% yields.

Melbourne Industrial Market

Melbourne's industrial vacancy, as assessed by Urbis in August 2016, of warehouses greater than 10,000 square metres, revealed a vacancy rate of 4.5%. This was consistent with the vacancy rate in February 2016.

Given new construction of 435,000 square metres in 2015, and approximately 500,000 square metres in 2016, take up of these new facilities has been primarily driven by demand from third party logistics operators and e-retailing businesses, reflecting the shift from manufacturing to distribution. This development has put pressure on certain segments of the broader market, especially dated secondary stock that is in need of significant capital expenditure to be relevant for modern users.

Due to the delivery of new facilities and the resultant back-fill vacancy, rental growth across most of Melbourne industrial sub-markets has been limited. However there are reasonable prospects for rental growth in the medium term due to a limited amount of serviced land, and construction costs requiring tenants for new developments to pay higher rents to underpin delivery of new facilities.

Investment activity has remained robust especially for assets with long term leases. Individual asset sales have been limited, with investment volumes driven by portfolio sales including two national portfolios sold by Goodman to Blackstone. Sales of assets with the benefit of long term leases have typically been analysed in the six percent yield range, although there have been exceptions indicating lower yields and higher relative values. This activity supported the valuation increases in three of the investment properties Industria REIT independently valued during the period.

Brisbane Technology Park Co-operation Agreement

As outlined in the Product Disclosure Statement and Prospectus, a Co-operation Agreement is in existence between Industria and Graystone Pty Ltd (Graystone). As part of this Agreement, Graystone retain option rights over components of land at BTP Central. The exercise price of the option under the Co-operation Agreement is broadly in line with the disclosed fair value.

Directors' Report (continued)

Brisbane Technology Park Co-operation Agreement (continued)

The Co-Operation Agreement has now been active for 3 years. At the end of the 3 year period there is a three month window (until 7 March 2017) whereby Industria can put the land to Graystone, or Graystone can call the land, at a price based off the initial market value adjusted by 8% per annum.

Industria will not put the land to Graystone, and as at the date of writing the option had not been called by Graystone.

Auditor's Independence Declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 8.

Matters subsequent to the end of the financial period

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Rounding off of amounts

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Geoff Brunsdon
Director

Dated at Melbourne, 20 February 2017

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The Board of Directors
APN Funds Management Limited
101 Collins Street
MELBOURNE VIC 3000

20 February 2017

Dear Board Members

Independence Declaration –Industria REIT

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the half-year financial report for Industria REIT.

As lead audit partner for the review of the financial statements of Industria REIT for the financial half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2016

	Notes	Half-year ended 31 Dec 2016 $'000	Half-year ended 31 Dec 2015 $'000
Revenue			
Rental income		22,468	19,331
Total revenue from continuing operations		**22,468**	**19,331**
Other income			
Interest income		36	17
Net gain in fair value adjustments on investment properties	3	-	9,483
Fair value gain on derivatives		1,929	-
Other income		-	41
		1,965	**9,541**
Total income		**24,433**	**28,872**
Expenses			
Property costs		(4,688)	(5,193)
Trust management fees	8	(1,339)	(1,153)
Interest expense		(3,089)	(2,972)
Fair value loss on derivatives		-	(74)
Net loss in fair value adjustments on investment properties	3	(5,800)	-
Trust operating costs		(343)	(279)
Total expenses		**(15,259)**	**(9,671)**
Net profit before tax		**9,174**	**19,201**
Income tax (expense) / credit – deferred		(870)	672
Net profit after tax		**8,304**	**19,873**
Attributable to:			
Equity holders of Industria Trust No. 1		2,586	15,368
Equity holders of non-controlling interests[1]		5,718	4,505
		8,304	**19,873**
Other comprehensive income		-	-
Total comprehensive income for the financial period		**8,304**	**19,873**
Total comprehensive income is attributable to:			
Equity holders of Industria Trust No. 1		2,586	15,368
Equity holders of non-controlling interests[1]		5,718	4,505
		8,304	**19,873**
Earnings per security			
Basic and diluted (cents per security)	9	**5.70**	**16.13**

[1] Non-Controlling interests represents the net profit after tax and comprehensive income attributable to the other stapled entities comprising the Industria REIT Group.

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

Condensed consolidated statement of financial position
As at 31 December 2016

	Notes	31 Dec 2016 $'000	30 June 2016 $'000
Current assets			
Cash and cash equivalents		2,818	1,607
Trade and other receivables		2,500	2,021
Other assets		538	355
Assets classified as held for sale	4	-	31,724
Total current assets		**5,856**	**35,707**
Non-current assets			
Investment properties	3	552,340	386,139
Total non-current assets		**552,340**	**386,139**
Total assets		**558,196**	**421,846**
Current liabilities			
Payables		(3,554)	(4,967)
Derivative financial instruments	7	(1,082)	(1,042)
Distributions payable	2	(13,049)	(9,842)
Liabilities directly associated with assets classified as held for sale	4	-	-
Total current liabilities		**(17,685)**	**(15,851)**
Non-current liabilities			
Payables		(242)	(240)
Derivative financial instruments	7	(1,298)	(3,266)
Borrowings	5	(197,068)	(139,263)
Deferred tax liability		(2,833)	(2,069)
Total non-current liabilities		**(201,441)**	**(144,838)**
Total liabilities		**(219,126)**	**(160,689)**
Net assets		**339,070**	**261,157**
Equity			
Equity holders of Industria Trust No. 1:			
Contributed equity	6	220,635	165,096
Accumulated profit		7,508	10,922
		228,143	**176,018**
Equity holders of non-controlling interests[1]		110,927	85,139
Total equity		**339,070**	**261,157**
Net tangible assets per security		**2.08**	**2.12**

[1] Non-Controlling interests represents the net profit after tax and comprehensive income attributable to the other stapled entities comprising the Industria REIT Group.

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

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2016

	Contributed equity	(Accumulated losses) / retained earnings	Total	Non-controlling interests[1]	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2015	**165,674**	**(384)**	**165,290**	**84,548**	**249,838**
Net profit for the period	-	15,368	15,368	4,505	19,873
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	15,368	15,368	4,505	19,873
Transactions with securityholders in their capacity as owners					
Buy-back of contributed equity (note 6)	(578)	-	(578)	(296)	(874)
Distributions paid or provided (note 2)	-	(7,000)	(7,000)	(2,226)	(9,226)
Balance at 31 December 2015	**165,096**	**7,984**	**173,080**	**86,531**	**259,611**
Balance as at 1 July 2016	**165,096**	**10,922**	**176,018**	**85,139**	**261,157**
Net profit for the period	-	2,586	2,586	5,718	8,304
Other comprehensive income for the period	-	-	-	-	**-**
Total comprehensive income for the period	**-**	2,586	2,586	5,718	8,304
Transactions with securityholders in their capacity as owners					
Issue of contributed equity (note 6)	57,186	-	57,186	27,814	85,000
Capital raising costs (net of income tax benefit) (note 6)	(1,647)	-	(1,647)	(695)	(2,342)
Distributions paid or provided (note 2)	-	(6,000)	(6,000)	(7,049)	(13,049)
Balance at 31 December 2016	**220,635**	**7,508**	**228,143**	**110,927**	**339,070**

[1] Non-Controlling interests represents the net profit after tax and comprehensive income attributable to the other stapled entities comprising the Industria REIT Group.

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

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2016

	Notes	Half-year ended 31 Dec 2016 $'000	Half-year ended 31 Dec 2015 $'000
Cash flows from operating activities			
Receipts from customers		21,872	18,801
Payments to suppliers		(7,815)	(6,686)
Interest received		36	17
Other cash receipts		-	41
Finance costs paid		(3,148)	(3,139)
Net cash inflow from operating activities		**10,945**	**9,034**
Cash flows from investing activities			
Payments for acquisition of investment properties		(167,392)	-
Payments for capital expenditure on investment properties		(3,766)	(3,168)
Net proceeds from sale of investment property	4	30,916	-
Net cash outflow from investing activities		**(140,242)**	**(3,168)**
Cash flows from financing activities			
Net proceeds from borrowings	5	57,798	4,950
Payment for buy-back of equity	6	-	(874)
Net proceeds of equity issue	6	82,552	-
Distributions paid		(9,842)	(9,681)
Net cash inflow / (outflow) from financing activities		**130,508**	**(5,605)**
Net increase in cash and cash equivalents		1,211	261
Cash and cash equivalents at the beginning of the period		1,607	1,873
Cash and cash equivalents at the end of the period		**2,818**	**2,134**

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

Notes to the Condensed Consolidated Financial Statements

1. Summary of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2016 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

The new and revised Standards and Interpretations have not had a material impact and not resulted in changes to the Group's disclosures or the amounts recognised in its half-year financial statements.

Notes to the Condensed Consolidated Financial Statements (continued)

2. Distributions

Distributions recognised in the financial period by the Group are detailed below.

	31 December 2016		31 December 2015	
	Cents per security	**$'000**	**Cents per security**	**$'000**
Distribution payable	8.00	13,049	7.50	9,226
Total	**8.00**	**13,049**	**7.50**	**9,226**

3. Investment properties

Investment properties represent the industrial and office properties held for rental income.

	31 Dec 2016 $'000	30 June 2016 $'000
Industrial and office properties (b)	549,252	383,051
Land held for future development (c)	3,088	3,088
Total	**552,340**	**386,139**

(a) Reconciliation of carrying amount

The following is a reconciliation of the carrying amounts of investment properties at the beginning and end of the financial period:

	31 Dec 2016 $'000	31 Dec 2015 $'000
Carrying amount at beginning of the period	386,139	399,883
Purchase of new properties: 1- 3 Westrac Drive, Tomago, NSW	167,392	-
Additions to existing investment properties	4,240	3,782
Movement in deferred lease incentives	(271)	4,855
Straight line revenue recognition	574	-
Net (loss) / gain from fair value adjustments [1]	(5,800)	9,483
Interest capitalised	66	78
Carrying amount at end of the period	**552,340**	**418,081**

[1] The net (loss) / gain from fair value adjustments is wholly unrealised and has been recognised as "net loss in fair value adjustments on investment properties" in the condensed consolidated statement of profit or loss and other comprehensive income. It includes a fair value loss of $8,792,000 arising from the write off of stamp duty and acquisition costs following the current period acquisition of 1-3 Westrac Drive, Tomago, NSW.

Notes to the Condensed Consolidated Financial Statements (continued)

3. Investment properties (continued)

(b) Industrial and office properties

	Fair value 31 Dec 2016 $'000	Fair value 30 June 2016 $'000	Latest independent valuation date	Valuer
34 Australis Drive, VIC	25,300	24,000	31 Dec 2016	Urbis
80-96 South Park Drive, VIC	21,450	20,200	31 Dec 2016	Urbis
89 West Park Drive, VIC	18,200	17,387	31 Dec 2016	Urbis
32-40 Garden Street, VIC	14,650	14,696	31 Dec 2015	Urbis
5 Butler Blvd, SA	12,508	12,500	30 Jun 2015	Savills
140 Sharps Road, VIC	13,500	13,500	31 Dec 2015	Urbis
7 Clunies Ross and 17-19 McKechnie Drive, QLD	39,007	39,000	30 Jun 2016	Knight Frank
8 Clunies Ross and 9 McKechnie Drive, QLD	21,375	21,375	30 Jun 2016	Knight Frank
37 Brandl St, QLD	13,000	13,170	31 Dec 2016	Knight Frank
18 Brandl St, QLD	11,725	11,500	31 Dec 2016	Knight Frank
88 Brandl St, QLD	13,482	13,475	30 Jun 2016	Knight Frank
Building A, 1 Homebush Bay Drive, NSW	89,816	89,816	31 Dec 2015	Knight Frank
Building C, 1 Homebush Bay Drive, NSW	58,775	54,732	31 Dec 2015	Knight Frank
BTP Central, QLD	37,864	37,700	30 Jun 2016	Knight Frank
1-3 Westrac Drive, Tomago, NSW (i)	158,600	-	25 Sept 2016	Savills
Total consolidated entity	**549,252**	**383,051**		

Notes: the fair values of assets which have not been independently valued at 31 December 2016 have been determined based on Directors' valuations.

(i) Acquisition of 1-3 Westrac Drive, Tomago
On 27 September 2016, the Group acquired 1-3 Westrac Drive, Tomago for $158,600,000. This acquisition was funded through an equity raise ($85,000,000), and through increasing and extending existing borrowing facilities.

(c) Land held for future development

	Fair value 31 Dec 2016 $'000	Fair value 30 June 2016 $'000	Latest independent valuation date	Valuer
45 and 45B McKechnie Drive, QLD (ii)	3,088	3,088	30 Jun 2016	Knight Frank
Total	**3,088**	**3,088**		

Note: The fair values of assets which have not been independently valued at 31 December 2016 have been determined based on Directors' valuations.

BTP Co-operation agreement
As outlined in Directors Report and the Product Disclosure Statement and Prospectus, a Co-operation Agreement is in existence between Industria and Graystone Pty Ltd (Graystone). As part of this Agreement, Graystone retain option rights over components of land at BTP Central. The exercise price of the option under the Co-operation Agreement is broadly in line with the disclosed fair value.

The Co-Operation Agreement has now been active for 3 years. At the end of the 3 year period there is a three month window (until 7 March 2017) whereby Industria can put the land to Graystone, or Graystone can call the land, at a price based off the initial market value adjusted by 8% per annum. Industria will not put the land to Graystone, and as at the date of writing the option had not been called by Graystone.

Notes to the Condensed Consolidated Financial Statements (continued)

4. Assets classified as held for sale

	Fair value 31 Dec 2016 $'000	Fair value 30 June 2016 $'000
7 Brandl St, QLD	-	25,137
85 Brandl St, QLD	-	6,587
Total	**-**	**31,724**
Liabilities associated with assets held for sale	**-**	**-**

5. Borrowings

	31 Dec 2016 $'000	30 June 2016 $'000
Non-current		
Bank loans – secured	197,068	139,263
	197,068	**139,263**
Financing arrangements		
The Group has access to the following lines of credit:		
Loan facility limit	215,000	165,000
Facilities drawn at balance date	197,908	140,110
Facilities not drawn at balance date	**17,092**	**24,890**

At 31 December 2016 the Group had undrawn facilities of $17,092,000 (30 June 2016: $24,890,000).

Summary of borrowing arrangements

The Group has a revolving credit facility with two major Australian banks with facility expiries of: December 2018; September 2019; December 2020; and September 2021. During the period ended 31 December 2016 the facility limit was increased from $165m to $215m to facilitate the acquisition of 1-3 Westrac Drive.

The Group has a number of interest rate swap contracts exchanging variable rate interest for fixed rate interest. The movement in the fair value of the interest rate swaps has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income in the current period as hedge accounting has not been applied.

Notes to the Condensed Consolidated Financial Statements (continued)

5. Borrowings (continued)

The debt facility imposes certain financial covenants with respect to the secured investment properties. These covenants include maintenance of the following financial ratios at the reporting date:

- The loan to valuation ratio will not exceed 55% at all times
- The gearing ratio will not exceed 55%
- The ratio of net rental income to interest costs under the facility will not fall below 2.0 times
- The portfolio weighted average lease term to expiry will be greater than 2.5 years.

Included in the carrying value of borrowings are capitalised borrowing costs (associated with the establishment of financing facilities) totalling $840,000 (30 June 2016: $847,000).

6. Contributed equity

(a) Carrying amounts

	31 Dec 2016 $'000	31 Dec 2015 $'000
At the beginning of the period	220,818	221,692
Buy-back of contributed equity	-	(874)
Issue of contributed equity	85,000	-
Equity issue cost	(2,342)	-
At the end of the period	**303,476**	**220,818**
Attributable to:		
Equity holders of Industria Trust No.1	220,635	165,096
Equity holders of non-controlling interests	82,841	55,722
	303,476	**220,818**

(b) Number of securities on issue

	31 Dec 2016 Securities	31 Dec 2015 Securities
At the beginning of the period	123,019,191	123,488,399
Buy-back of contributed equity	-	(469,208)
Issue of contributed equity	40,094,690	-
At the end of the period	**163,113,881**	**123,019,191**

7. Financial instruments

The Group uses the following fair value measurement hierarchy:

Level 1: fair value is calculated using quoted prices in active markets;

Level 2: fair value is calculated using inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: fair value is calculated using inputs for the asset or liability that are not based on observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date, without any deduction for transaction costs.

The amount payable to a lessee was calculated by reference to the contractual obligation.

Notes to the Condensed Consolidated Financial Statements (continued)

7. Financial instruments (continued)

Financial instruments that trade in markets that are not considered active but values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The fair values of the interest rate swap derivatives held by the Fund have been determined using dealer quotations.

	Fair value measurement as at 31 December 2016			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	(2,380)	-	(2,380)
Total	**-**	**(2,380)**	**-**	**(2,380)**

	Fair value measurement as at 30 June 2016			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	(4,308)	-	(4,308)
Total	**-**	**(4,308)**	**-**	**(4,308)**

There were no transfers between levels during the half-years.

The interest rate swaps have been valued using the discounted cash flow approach. Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

Fair values of financial assets and liabilities not measured at fair value (e.g. receivables and payables at amortised cost) approximate carrying value.

8. Related parties

(a) Key Management Personnel

Directors

The Group does not employ personnel in its own right. However, it is required to have a Responsible Entity to manage the activities of the Group. Accordingly there are no staff costs included in the condensed consolidated statement of profit or loss and other comprehensive income.

No fees have been paid to the Directors of APN Funds Management Limited in their capacity as Directors of the Responsible Entity of the Group.

(b) The Responsible Entity

The Responsible Entity of Industria Trust No. 1 is APN Funds Management Limited ('APN FM').

APN FM is entitled to a Base Management Fee of 0.55% per annum of the gross asset value of the Group (reducing to 0.50% p.a. of gross asset value in excess of $750m and 0.45% p.a. of gross asset value in excess of $1,500m). During the half-year, $1,339,000 (2015: $1,153,000) has been incurred in management fees payable to APN FM.

At the reporting date, $767,000 (2015: $589,000) remains payable to the Responsible entity relating to the above management fees.

Notes to the Condensed Consolidated Financial Statements (Continued)

8. Related parties (continued)

APN FM provides property management and leasing services to the Group. These services can be carried out by APN FM or sub-contracted to one or more third parties. In the event that APN FM provides property management or leasing services without engaging third parties, APN FM is entitled to charge a fee of up to 3% of annual gross income or a leasing fee at market rates respectively.

Prior to 1 January 2016 APN FM was entitled to fees of $517,000 (2015: $325,000) in respect of leasing services provided, based on market rates. These fees have not been charged and will not be charged while APN FM is Responsible Entity of the Group. Subsequent to 1 July 2016, APN FM provided leasing services to the Group and consequently charged leasing fees totalling $116,000 (2015: Nil).

9. Earnings per security

	31 Dec 2016	31 Dec 2015
Profit attributable to securityholders ($'000)	8,304	19,873
Weighted average number of securities outstanding (thousands)	145,669	123,182
Basic and diluted earnings per security (cents)	**5.70**	**16.13**

10. Contingent liabilities and contingent assets

Prior to 1 January 2016 APN FM was entitled to fees of $517,000 (2015: $325,000) in respect of leasing services provided, based on market rates. These fees have not been charged and will not be charged while APN FM is Responsible Entity of the Group.

The Group has no contingent assets as at 30 June 2016 (2015: Nil).

11. Commitments

The Group has no commitments as at 31 December 2016 (2015: Nil).

12. Events occurring after the reporting period

There have been no other significant events or transactions that have arisen since 31 December 2016 which, in the opinion of the Directors, would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

13. Segment information

The Group derives all income from investment in properties, which are located in Australia. The Group is deemed to have only one operating segment, and that is consistent with the reporting reviewed by the chief operating decision makers.

14. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of Industria REIT.

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Principal place of business
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Directors' Declaration

For the half-year ended 31 December 2016

The Directors of APN Funds Management Limited, the Responsible Entity of Industria Trust No. 1, declare that:

(a) In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) In the Director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the Directors of the Responsible Entity, APN Funds Management Limited.

Geoff Brunsdon
Director
Melbourne, 20 February 2017

Deloitte.

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Independent Auditor's Review Report to the Stapled Unitholders of Industria REIT

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Industria REIT ("the Trust"), which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the Trust and the entities it controlled at the end of the half year-year or from time to time during the half year as set out in pages 9 to 20.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Responsible Entity of the Trust ("the Directors") are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Trust's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Trust ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors, would be in the same terms if given to the Directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Trust's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 20 February 2017