APPENDIX 4D

Industria Trust No. 1 (ARSN 125 862 875)
Half-Year Report
Half-year ended 31 December 2014

Note on Stapling Arrangement from 5 December 2013:

The 'Industria REIT' stapled group was established on 5th December 2013 by stapling the securities of the following entities:

Industria Trust No. 1 (Previously Australand Wholesale Property Trust No. 6)
Industria Trust No. 2 (Previously Australand Wholesale Property Trust No. 6A)
Industria Trust No. 3 (Previously APN Wholesale Direct Property Pool)
Industria Trust No. 4 (Previously BTP Central Trust)
Industria Company No. 1 Ltd (Previously APN DF1 Developments (Qld) Pty Ltd)

The purpose of the stapling was to form Industria REIT for listing on the Australian Stock Exchange.

In accordance with accounting standards, Industria Trust No. 1 has been identified as the acquirer in the stapling transaction.

This report is based on the half-year consolidated financial statements of Industria Trust No. 1, which are attached to this report.

Results for announcement to the market

	Industria Trust No. 1 and its controlled entities	
	$'000	
Revenues from ordinary activities	up 52.6% to 19,694	
Profit from ordinary activities after tax attributable to members	down 19.5% to 11,201	
Net profit for the period attributable to members	down 19.5% to 11,201	
Underlying operating income[1]	up 64.4% to 10,151	
Net tangible assets per unit	**31 Dec 2014** $2.01	**31 Dec 2013** $1.96

[1] Underlying operating income for the financial half-year has been calculated as follows:

	Industria Trust No. 1 and its controlled entities	
	Half-year 2014 $'000	Half-year 2013 $'000
Net profit attributable to unitholders	11,201	13,909
Adjusted for:		
- Straight line lease revenue recognition	(660)	(308)
- Net (gain)/loss on change in fair value of:		
Investment properties	(2,803)	(10,634)
Derivatives	1,799	-
- Non-recurring IPO transaction and establishment costs, net of APN contribution	-	3,182
- Deferred tax provision	442	-
- Amortised borrowing costs	172	24
Underlying operating income	**10,151**	**6,173**

Distributions	**Amount per unit (cents)**	**$'000**
Interim – 31 December 2014	8.36	10,450
Previous corresponding period	2.30	3,570
Record date for determining entitlements to the distribution	31 December 2014	
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

Additional Information

Due to the stapling arrangement, additional information has been set out below to provide a summary of the results of the Industria REIT stapled group from 1 July 2014 to 31 December 2014. As detailed above, the results of Industria REIT are included within the financial statements of Industria Trust No. 1.

Industria REIT – Period from 1 July 2014 – 31 December 2014

	Industria REIT	**PDS and Prospectus Forecast**
	$'000	**$'000**
Net revenues from ordinary activities before straight lining adjustments	14,261	14,772
Profit from ordinary activities after tax attributable to members	11,201	11,628
Net profit for the period attributable to members	11,201	11,628
Underlying operating income[2]	10,151	10,532
Net tangible assets per unit	31 December 2014 $2.01	31 December 2014 $1.94

[2] Underlying operating income for the period has been calculated as follows:

	Industria REIT Half-year 2014	**PDS and Prospectus Forecast Half-year 2014**
	$'000	**$'000**
Net profit attributable to unitholders	11,201	11,628
Adjusted for:		
- Straight line lease revenue recognition	(660)	(1,271)
- Net (gain)/loss on change in fair value of:		
Investment properties	(2,803)	76
Derivatives	1,799	-
- Deferred tax provision	442	-
- Amortised borrowing costs	172	99
Underlying operating income	**10,151**	**10,532**

Other information		
Distribution declared	10,450	10,450
DPU	8.36 cents per unit	8.36 cents per unit
Payout ratio	102.9%	99.2%

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)

John Freemantle
Company Secretary

19 February 2015

‘Industria REIT’ being

Industria Trust No. 1 and its Controlled Entities

ARSN 125 862 875

Financial Report for the Half-Year

Ended 31 December 2014

Stapling arrangement
The ‘Industria REIT’ stapled group was established on 5th December 2013 by stapling the securities of the following entities:

- Industria Trust No. 1 (Previously Australand Wholesale Property Trust No. 6)
- Industria Trust No. 2 (Previously Australand Wholesale Property Trust No. 6A)
- Industria Trust No. 3 (Previously APN Wholesale Direct Property Pool)
- Industria Trust No. 4 (Previously BTP Central Trust)
- Industria Company No. 1 Ltd (Previously APN DF1 Developments (Qld) Pty Ltd)

These consolidated financial statements represent the consolidated results of Industria REIT for the half-year ended 31 December 2014. The results disclosed for the comparative condensed consolidated statement of profit or loss and other comprehensive income represent Industria Trust No. 1 and Industria Trust No. 2 for the period from 1 July 2013 to 5 December 2013, and the consolidated results of Industria REIT from the date of stapling on 5 December 2013 to 31 December 2013.

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 2014.

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 $11,201,000 for the half-year ended 31 December 2014 (31 December 2013: $13,909,000).

Industria REIT's results for the half-year ended 31 December 2014 compared to the PDS Forecast prepared in October 2013 are summarised below:

	Actual 1H15 $'000	**PDS Forecast 1H15 $'000**
Net rental income and share of profit of joint venture	14,261	14,772
Rental straight lining adjustments	660	1,271
Gain on sale of investment property	565	-
Net gain in fair value adjustments on investment properties	2,803	(76)
Operating expenses	(1,530)	(1,359)
Fair value loss on derivatives	(1,799)	-
Net interest expense	(3,317)	(2,980)
Net profit before tax	**11,643**	**11,628**
Income tax – deferred	(442)	-
Net profit attributable to unitholders	**11,201**	**11,628**

Directors' Report (continued)

Review of operations (Continued)

The Responsible Entity uses the Group's underlying operating income as an additional performance indicator. Underlying operating income 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.

Distributable earnings from the underlying operating income for the half year ended 31 December 2014 have been calculated as follows:

	Actual 1H15 $'000	PDS Forecast 1H15 $'000
Net profit attributable to unitholders	11,201	11,628
Adjusted for:		
Add back amortised borrowing costs	172	99
Reverse straight lining of rent	(660)	(1,271)
Add back net loss on change in fair value in derivatives	1,799	-
Reverse net gain on change in fair value of investment	(2,803)	76
Add back deferred tax charge	442	-
Underlying operating income	10,151	10,532
Distribution	10,450	10,450
Payout ratio	102.9%	99.2%
Distributions per unit (cents per unit)	8.36	8.36
Underlying operating income (cents per unit)	8.12	8.43
Statutory earnings per security (cents per unit)	8.96	9.30

The net profit attributable to unitholders for the six month period ending 31 December 2014 was $11.2 million, $0.4 million below the PDS forecast of $11.6 million.

The net rental income before straight lining adjustments was $0.5 million lower than the PDS forecast principally due to lower occupancy with longer than forecast void periods impacting several assets within the Brisbane Technology Park, Eight Mile Plains, Queensland and 1C Homebush Bay, Rhodes, NSW. The leasing market conditions, particularly in the Brisbane suburban office market have significantly weakened since the PDS Forecast was issued in October 2013.

Operating expenses were $0.2 million higher than the PDS forecast due to higher than forecast fund management fees caused by increases in portfolio valuations.

The interest expense for the six month period ending 31 December 2014 was $0.3 million higher than the PDS forecast due to higher than forecast drawn debt balances during the period following the acquisition of the remaining 50% share of 88 Brandl Street in May 2014.

After adjusting the net profit attributable to unitholders for the fair value movements, straight lining of rent and other non-cash items the distributable earnings from the underlying operating income for the six months to 31 December was $10.2 million, being $0.4 million lower than the PDS forecast.

Directors' Report (continued)

Net tangible assets and asset valuations

The portfolio asset values increased by $2.8 million or 0.7% to $398.4 million over the six month period. Independent external valuations were carried out on 35% of the portfolio by value at 31 December 2014, resulting in a valuation uplift of 2.7% on these assets, primarily due to yield compression driven by investor demand.

The sale of 53 Brandl Street completed on 1 December 2014 for $10.25 million, $1 million higher than the carrying value. The sale proceeds were used to reduce debt, whilst asset recycling and acquisition opportunities are being actively pursued.

The balance of the portfolio was reviewed internally by the Directors at 31 December 2014. The internal valuations have been adopted using Argus modelling software incorporating the same market rent, incentives and CPI assumptions used by external valuers. There have been no material changes to the leasing profiles of the assets internally valued at 31 December 2014 compared to the positions as at 30 June 2014, therefore the internal valuations for the balance of the portfolio have been maintained at the 30 June 2014 levels.

Net tangible assets ("NTA") total $250.9 million, equating to $2.01 per security for the period ending 31 December 2014. The portfolio valuation uplifts have been largely eroded by negative movements in the mark to market of the interest rate derivatives during the reporting period. Excluding the impact of derivatives the NTA reverts to $2.03.

Leasing

Throughout the six month period over 16,400 sqm was successfully leased in what continues to be a subdued leasing environment:

<u>Significant leasing transactions</u>

- 10,647 sqm industrial tenancy to RFS at 32 Garden Street, Kilsyth
- 2,858 sqm short term industrial tenancy to Tyco Australia at Unit F, 5 Butler Boulevard, Adelaide Airport
- 1,641 sqm office tenancy to BTP Services at 7 Clunies Ross Court, Brisbane Technology Park
- 530 sqm short term office tenancy to Queensland Motorways at 18 Brandl Street, Brisbane Technology Park
- 385 sqm office tenancy to Nexon at 6 Electronics Street, Brisbane Technology Park
- 420 sqm office tenancy to ABC Consulting at Rhodes Building C

The portfolio WALE by area at 31 December 2014 was 5.12 years and occupancy stood at 93.2%.

Development

There were no development projects under construction during the reporting period. Industria REIT will not take on material development risk.

Acquisitions

There were no acquisitions during the reporting period.

Outlook

Australia's economy has yet to make a successful shift from the mining investment boom to the domestic sector. Business investment and confidence is currently a major weakness, which is primarily linked to the slowdown in the resources sector and political uncertainty. This is causing challenges for Queensland and Western Australia. NSW and Victoria are expected to perform well in comparison.

GDP growth forecasts have been revised downwards over the short to medium term.

Cash rates remain at a generational low, with further reductions expected in 2015.

Directors' Report (continued)

Outlook (continued)

Current operational conditions broadly remain subdued with a challenging suburban office leasing market, particularly in Brisbane. This has been driven by the slowdown in the resource and mining sectors, coupled with significant government spending cuts.

Management continue to work closely with local and national agents to ensure that the optimal level of market exposure is achieved as well as capitalising on the competitive edge the Brisbane Technology Park assets can provide in terms of headline rents, car parking and amenity offering compared to the Brisbane CBD market.

Several asset recycling initiatives are being explored by management with the overriding objective to reduce the portfolio exposure to the suburban office market in Brisbane and diversify the portfolio sector mix by increasing the overall exposure to industrial assets. The current strong investor demand for suburban offices in Brisbane combined with the competitive pricing achieved at the time the assets were acquired provides an excellent opportunity to recycle assets and rebalance the diversification of the portfolio.

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 7.

Rounding of amounts

The Trust is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the rounding of amounts in the financial report and Directors' report. In accordance with that Class Order, amounts in the Directors' report and half-year financial report have been rounded 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, 19 February 2015

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The Board of Directors
APN Funds Management Limited
Level 30, 101 Collins Street
Melbourne, VIC 3000

19 February 2015

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 half-year ended 31 December 2014, 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

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 2014

		Half-year ended	
	Notes	**31 Dec 2014 $'000**	**31 Dec 2013 $'000**
Revenue			
Rental income		**19,694**	12,909
Total revenue from continuing operations		**19,694**	12,909
Other income			
Share of profit of joint venture		**-**	37
Other income	8	**-**	1,700
Gain on sale of investment property	3	**565**	-
Interest income		**27**	19
Net gain in fair value adjustments on investment properties	3	**2,803**	10,634
		3,395	12,390
Total income		**23,089**	25,299
Expenses			
Property costs		**(4,773)**	(4,323)
Trust management fees	8	**(1,163)**	(157)
Interest expense		**(3,344)**	(2,237)
Fair value loss on derivatives		**(1,799)**	-
Trust costs			
Recurring trust costs		**(367)**	-
IPO and other establishment costs		**-**	(4,882)
Total expenses		**(11,446)**	(11,599)
Net profit before tax		**11,643**	13,700
Income tax expense – current		**-**	209
Income tax expense – deferred		**(442)**	-
Net profit after tax		**11,201**	13,909
Attributable to:			
Equity holders of Industria Trust No. 1		**7,280**	13,352
Equity holders of non-controlling interests		**3,921**	557
		11,201	13,909
Other comprehensive income		**-**	-
Total comprehensive income for the financial period		**11,201**	13,909
Total comprehensive income is attributable to:			
Equity holders of Industria Trust No. 1		**7,280**	13,352
Equity holders of non-controlling interests		**3,921**	557
		11,201	13,909
Earnings per unit			
Basic and diluted (cents per unit)	9	**8.96**	13.31

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 2014

	Notes	31 Dec 2014 $'000	30 June 2014 $'000
Current assets			
Cash and cash equivalents		**1,545**	2,570
Trade and other receivables		**4,285**	2,959
Other assets		**547**	631
Total current assets		**6,377**	6,160
Non-current assets			
Investment properties	3	**398,435**	403,971
Other assets		**83**	88
Total non-current assets		**398,518**	404,059
Total assets		**404,895**	410,219
Current liabilities			
Payables		**(4,567)**	(7,476)
Provisions		**(385)**	(385)
Derivative financial instruments	7	**(852)**	(619)
Distributions payable	2	**(10,450)**	(11,925)
Total current liabilities		**(16,254)**	(20,405)
Non-current liabilities			
Payables		**(179)**	(176)
Derivative financial instruments	7	**(2,256)**	(690)
Borrowings	4	**(132,508)**	(136,443)
Deferred tax liability		**(2,823)**	(2,381)
Total non-current liabilities		**(137,766)**	(139,690)
Total liabilities		**(154,020)**	(160,095)
Net assets		**250,875**	250,124
Equity			
Equity holders of Industria Trust No. 1:			
Contributed equity	5	**167,659**	167,659
Accumulated losses		**(1,505)**	(2,785)
		166,154	164,874
Equity holders of non-controlling interests		**84,721**	85,250
Total equity		**250,875**	250,124

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 2014

	Contributed Equity $'000	Accumulated Losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
Balance at 1 July 2013	137,999	(14,454)	123,545	14,596	138,141
Net profit for the period	-	13,352	13,352	557	13,909
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	-	13,352	13,352	557	13,909
Transactions with unitholders in their capacity as owners					
Equity issued during the period	33,411	-	33,411	15,850	49,261
Equity acquired during the period	-	-	-	55,456	55,456
Capital raising costs	(3,751)	-	(3,751)	(4,369)	(8,120)
Distributions paid or provided (note 2)	-	(2,724)	(2,724)	(738)	(3,462)
Balance at 31 December 2013	**167,659**	**(3,826)**	**163,833**	**81,352**	**245,185**
Balance as at 1 July 2014	**167,659**	**(2,785)**	**164,874**	**85,250**	**250,124**
Net profit for the period	-	7,280	7,280	3,921	11,201
Other comprehensive income for the period	-	-	-	-	**-**
Total comprehensive income for the period	**-**	7,280	7,280	3,921	11,201
Transactions with unitholders in their capacity as owners					
Distributions paid or provided (note 2)	-	(6,000)	(6,000)	(4,450)	(10,450)
Balance at 31 December 2014	**167,659**	**(1,505)**	**166,154**	**84,721**	**250,875**

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 2014

	Notes	Half-year ended 31 Dec 2014 $'000	31 Dec 2013 $'000
Cash flows from operating activities			
Receipts from customers		**18,648**	16,912
Payments to suppliers		**(9,483)**	(17,554)
Other cash receipts		**-**	1,700
Interest received		**27**	19
Finance costs paid		**(4,074)**	(3,267)
Net cash inflow / (outflow) from operating activities		**5,118**	(2,190)
Cash flows from investing activities			
Payments for improvements to investment properties		**(1,263)**	(2)
Net cash inflow from acquisition of subsidiaries		**-**	4,402
Proceeds from sale of investment property		**10,250**	-
Net cash inflow from investing activities		**8,987**	4,400
Cash flows from financing activities			
Net repayment of borrowings	4	**(3,205)**	(32,235)
Proceeds on equity issue	5	**-**	49,262
Payment for capital raising costs	5	**-**	(8,120)
Distributions paid		**(11,925)**	(6,550)
Net cash (outflow) / inflow from financing activities		**(15,130)**	2,357
Net (decrease) / increase in cash and cash equivalents		**(1,025)**	4,567
Cash and cash equivalents at the beginning of the period		**2,570**	1,594
Cash and cash equivalents at the end of the period		**1,545**	6,161

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 Trust is an entity of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are 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 2014 annual financial report for the financial year ended 30 June 2014, 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 1031 'Materiality' (2013)
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
  - Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
  - Part C: 'Materiality'

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 recognized 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.

Distributions 31 Dec 2014 **Half-year ended:**	**Cents per unit**	**Total amounts $'000**
December 2014	8.36	10,450
Total	**8.36**	**10,450**

Distributions 31 Dec 2013 **Quarter ended:**	**Cents per unit**	**Total amounts $'000**
September 2013	1.91	2,960
December 2013	0.39	610
Total	**2.30**	**3,570**

The September and December 2013 distributions represent amounts distributed to unitholders of the old stapled group, consisting of Industria Trust No.1 and Industria Trust No.2 (previously Australand Wholesale Property Trust No. 6 and Australand Wholesale Property Trust No. 6A respectively). The December 2013 distribution represented a final distribution to these unitholders prior to the formation of Industria REIT stapled group.

Included in distributions paid in the condensed consolidated statement of changes in equity in the prior period is a reversal of over-accrual for June 2013 distributions of $108,000.

3. Investment properties

Investment properties represent the industrial, technology and business park properties held by the group for rental income.

	31 Dec 2014 $'000	**30 June 2014 $'000**
Industrial and office properties (b)	**394,050**	399,350
Land held for future development (d)	**4,385**	4,621
Total	**398,435**	403,971

(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 2014 $'000	**31 Dec 2013 $'000**
Carrying amount at beginning of the period	**403,971**	211,950
Additions at cost: industrial and office properties	**1,263**	2
Acquisitions through business combinations	**-**	150,523
Disposal of investment property	**(9,200)**	-
Movement in deferred lease incentives	**(402)**	657
Net gain from fair value adjustments [1]	**2,803**	10,634
Carrying amount at end of the period	**398,435**	373,766

[1] The net gain from fair value adjustments is wholly unrealised and has been recognised as "net gain in fair value adjustments on investment properties" in the condensed consolidated statement of profit or loss and other comprehensive income.

Notes to the Condensed Consolidated Financial Statements (continued)

3. Investment properties (continued)

(b) Industrial and office properties

	Ownership interest	Fair value 31 Dec 2014 $'000	Fair value 30 June 2014 $'000	Latest independent valuation date	Valuer
34 Australis Drive, VIC	100%	**21,650**	21,650	30 June 2014	Savills
80-96 South Park Drive, VIC	100%	**18,650**	18,200	31 Dec 2014	Savills
89 West Park Drive, VIC	100%	**15,750**	15,750	30 June 2014	Savills
32-40 Garden Street, VIC	100%	**14,800**	13,800	31 Dec 2014	Savills
5 Butler Blvd, SA	100%	**12,800**	12,800	30 Sept 2013	Savills
140 Sharps Road, VIC	100%	**13,100**	12,700	31 Dec 2014	Savills
7 Clunies Ross and 17-19 McKechnie Drive, QLD	100%	**34,000**	34,000	30 June 2014	Colliers
6 Electronics Street, QLD	100%	**7,400**	6,400	31 Dec 2014	LMW
12 Electronics Street, QLD	100%	**11,600**	10,500	31 Dec 2014	LMW
24-26 Hi-tech Court, QLD	100%	**2,450**	1,200	31 Dec 2014	LMW
8 Clunies Ross and 9 McKechnie Drive, QLD	100%	**24,600**	24,600	30 Sept 2013	Colliers
7 Brandl St, QLD	100%	**22,400**	22,400	30 Sept 2013	Colliers
37 Brandl St, QLD	100%	**13,500**	13,500	30 June 2014	Colliers
18 Brandl St, QLD	100%	**11,500**	11,500	30 Sept 2013	Colliers
53 Brandl St, QLD (Note (c))	100%	**-**	9,200	30 Sept 2013	Colliers
88 Brandl St, QLD	100%	**14,000**	14,000	31 Mar 2014	Colliers
85 Brandl St, QLD	100%	**5,000**	5,000	30 Sept 2013	Colliers
Building A, 1 Homebush Bay Drive, NSW	100%	**81,000**	81,000	30 June 2014	Savills
Building C, 1 Homebush Bay Drive, NSW	100%	**51,600**	51,750	31 Dec 2014	Savills
51A McKechnie Drive, QLD	100%	**16,200**	14,400	31 Dec 2014	LMW
BTP Central Car Park, QLD	100%	**2,050**	5,000	31 Dec 2014	LMW
Total consolidated entity		**394,050**	399,350		

Note: the fair value of assets which have not been independently valued at 31 December 2014 have been determined based on Directors' valuations.

(c) Sale of 53 Brandl Street, QLD

On 1 December 2014, the Group disposed of 53 Brandl St, QLD for a consideration of $10,250,000. The disposal resulted in a gain of $565,000 which is recognised in the condensed consolidated statement of profit or loss and other comprehensive income in the current period.

(d) Land held for future development

	Ownership interest	Fair value 31 Dec 2014 $'000	Fair value 30 June 2014 $'000	Latest independent valuation date	Valuer
Brandl Street Land (Lot 3)	100%	**995**	995	30 Sept 2013	Colliers
Brandl Street Land (Lot 6)	100%	**990**	990	30 Sept 2013	Colliers
45 and 45B McKechnie Drive, QLD	100%	**2,400**	2,636	31 Dec 2014	LMW
Total		**4,385**	4,621		

Notes to the Condensed Consolidated Financial Statements (continued)

4. Borrowings

	31 Dec 2014 $'000	30 June 2014 $'000
Non-current		
Bank loans – secured	**132,508**	136,443
	132,508	136,443
Financing arrangements		
The Group has access to the following lines of credit:		
Loan facility limit	**155,000**	155,000
Facilities drawn at balance date	**133,410**	137,500
Facilities not drawn at balance date	**21,590**	17,500

At 31 December 2014 the Group had available liquidity of $21,590,000 (30 June 2014: $17,500,000).

Summary of borrowing arrangements

During the previous financial period, the Group obtained a revolving credit facility with an external finance company with remaining maturity periods not exceeding 5 years. The weighted average effective interest rate on the loans is 3.72% (2013: 3.65%). The Group has entered into 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. The proceeds of the borrowings have been used to meet short term expenditure needs and acquire investment properties. Repayments of the borrowings amounting to $3,205,000 (2013: $32,235,000) were made in line with previously disclosed repayment terms.

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 length to expiry will be greater than 2.5 years.

Included in the carrying value of borrowings are capitalised borrowing costs of $902,000 (30 June 2014: $1,057,000).

5. Contributed equity

Issued capital as at 31 December 2014 amounted to $167,659,000 (125,000,001 units). There were no movements in the issued capital of the Trust in the current period.

In the previous financial period, Industria Trust No. 1 entered into a stapling arrangement with Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd. The stapling arrangement resulted in the listing of Industria REIT in the ASX on 5 December 2013. From this date, securities of the Trust and the other Industria REIT entities are traded together as one stapled security. Each securityholder of Industria REIT has the same proportionate interest in each stapled entity.

In order to effect the stapling a number of steps were undertaken. These steps occurred simultaneously on the effective date of the stapling and had the following impact on the number of securities in issue for the Trust during the previous financial period:

Notes to the Condensed Consolidated Financial Statements (continued)

5. Contributed equity (continued)

	Units issued/converted	Cumulative units	31 Dec 2013 $'000
Reconciliation of units in issue			
Units at the beginning of the reporting period	-	155,000,100	-
Convert number of units [1]	18,491,981	173,492,081	-
Issue units to unitholders of other Industria REIT entities [2]	55,061,760	228,553,841	-
Convert total number of units in issue in Industria REIT [3]	(128,184,647)	100,369,194	-
Total units on issue from stapling transaction		100,369,194	-
Additional equity raised via issuance of units [4]	24,630,807	125,000,001	49,262
Units at the end of the reporting period		**125,000,001**	

[1] Units are converted to a pre-determined amount based on the Merger Implementation Deed.
[2] Units in the Trust are issued to the unitholders of the other Industria REIT entities. Unitholders of the Trust obtain units/shares in these entities in return.
[3] Total number of units in issue is converted to 100,369,194, as per the Merger Implementation Deed.
[4] Additional equity raised to repay debt of Industria REIT entities and fund working capital. $49,261,614 was raised at $2 per stapled security and capital raisings costs of $8,120,000 were incurred by the Group.

6. Business combinations

(a) Acquisition of Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd

During the prior financial period, the previous stapled group (being Industria Trust No. 1 and Industria Trust No. 2) entered into a stapling arrangement with the entities listed below. In accordance with accounting standards, Industria Trust No. 1 has been identified as the acquirer in the stapling transaction.

	Proportion of units/shares acquired	Consideration transferred $'000
Industria Trust No. 3	-	-
Industria Trust No. 4	-	-
Industria Company No. 1 Ltd	-	-

The acquisition date for this transaction has been identified as 5 December 2013. Accordingly, the results of the above listed entities have been consolidated from this date.

The principal activities of each of the above entities are the same as that of Industria Trust No. 1; ownership of industrial, technology park and business park properties for rental income. These entities were acquired to expand the property portfolio of the Group and to form Industria REIT to be listed in the ASX.

Notes to the Condensed Consolidated Financial Statements (continued)

6. Business combinations (continued)

The assets acquired and liabilities assumed at the date of acquisition are detailed below.

	Industria Trust No.3 $'000	Industria Trust No.4 $'000	Industria Company No.1 Ltd $'000
Current assets			
Cash and cash equivalents	1,881	255	2,266
Trade and other receivables	203	349	5,198
Non-current assets			
Investment properties	32,781	32,501	85,241
Investment in Joint Venture	-	-	2,415
Current liabilities			
Trade and other payables	(2,201)	(7,051)	(3,499)
Derivative financial instruments	(11)	-	-
Borrowings	(19,199)	(15,231)	(57,780)
Distribution payable	(232)	-	-
Provisions	-	-	(385)
Non-current liabilities			
Deferred tax liability	-	-	(2,031)
Net assets	**13,222**	**10,823**	**31,425**

The fair value of the receivables acquired (which principally comprise trade receivables) in these transactions equates to their carrying value. At the acquisition date, it has been estimated that all contractual cash flows from trade receivables are collectable.

Due to the nature of the stapling transaction, the Group has attributed the net assets of the acquired entities to the owners of the acquired entities as non-controlling interests.

Impact of acquisition on the results of the Group

The table below summarises the revenue and profit and loss included in the condensed consolidated financial statements attributable to the acquired entities.

	Industria Trust No.3 $'000	Industria Trust No.4 $'000	Industria Company No.1 Ltd $'000
Revenue	1,929	1,379	6,363
Net profit	4,501	(2,805)	1,859

Had these business combinations been effected at 1 July 2013, the revenue of the Group from continuing operations would have been $39,680,000, and the profit for the year from continuing operations would have been $42,116,000.

Notes to the Condensed Consolidated Financial Statements (continued)

6. Business combinations (continued)

	$'000
Net cash inflow in acquisition of subsidiaries	
Consideration paid in cash	-
Cash and cash equivalents acquired	4,402
	4,402

(b) Acquisition of 50% of 88 Brandl Street

On 1 May 2014 the Group acquired the remaining 50% of property at 88 Brandl Street. Prior to this acquisition, the Group owned 50% of the property through a joint venture agreement with an external party. Prior to the acquisition of the remaining 50%, the Group accounted for its investment using the equity method of accounting.

The primary reason for acquisition of the remaining 50% was to gain control of 100% of the property, in line with the strategy of the Group.

In the period from date of acquisition to 30 June 2014, 88 Brandl Street contributed $116,000 revenue and $95,000 profit to the Group's results. If the acquisition had occurred on 1 July 2013, management estimates that consolidated revenue would have been $33,981,000 and consolidated profit for the year would have been $32,482,000.

The fair value of the consideration transferred for the acquisition of the remaining 50% of 88 Brandl Street is $2,497,206. The entire consideration comprised of cash only.

The assets acquired and liabilities assumed at the date of acquisition are as detailed below:

	88 Brandl Street $'000
Current assets	
Cash and cash equivalents	**71**
Trade and other receivables	**33**
Non-current assets	
Investment property	**7,000**
Current Liabilities	
Trade and other payables	**(187)**
Borrowings	**(4,550)**
Net assets	**2,367**

The fair value of the receivables acquired (which principally comprise trade receivables) in these transactions equates to their carrying value. At the acquisition date, it has been estimated that all contractual cash flows from trade receivables are collectable.

Goodwill
Goodwill arising from the acquisition has been recognised as follows:

	$'000
Consideration transferred	**2,498**
Share of fair value of identifiable net assets	**(2,367)**
Goodwill	**131**

Notes to the Condensed Consolidated Financial Statements (continued)

6. Business combinations (continued)

The goodwill arose as a result of the capitalisation of acquisition costs at the date of acquisition. This has resulted in an excess of the consideration transferred over the group's share of the fair value of the identifiable net assets.

Management has performed an assessment of the carrying value of the goodwill at 30 June 2014. The entire goodwill has been allocated to 88 Brandl Street property as the lowest level cash-generating unit to which the goodwill could be allocated. The carrying amount of the goodwill as at the date of assessment was $131,000. Management's assessment of the goodwill has resulted in the entire amount being fully impaired in the previous financial year.

	$'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	**(2,498)**
Cash and cash equivalents acquired	**71**
	(2,427)

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.

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.

The following tables present the Group's financial instruments that were measured and recognised at fair value at each reporting date:

	Fair value measurement as at 31 December 2014			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	(3,108)	-	(3,108)
Total	**-**	**(3,108)**	**-**	**(3,108)**

	Fair value measurement as at 30 June 2014			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	(1,309)	-	(1,309)
Total	**-**	**(1,309)**	**-**	**(1,309)**

Notes to the Condensed Consolidated Financial Statements (continued)

7. Financial instruments (continued)

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 Trust and its controlled entities. As the Group does not employ personnel in its own right, there is 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 $1,163,000 (2013: $157,000) has been incurred in management fees payable to APN FM.

At the reporting date, $552,000 (2013: $157,000) remains payable to the Responsible entity relating to the above management fees.

In the previous financial year, APN FM in its personal capacity, contributed $1,700,000 towards the initial establishment costs of Industria REIT stapled group. This amount has been recorded as other income in these financial statements.

9. Earnings per unit

	31 Dec 2014	**31 Dec 2013**
Profit attributable to unitholders ($’000)	**11,201**	13,909
Weighted average number of units outstanding (thousands)	**125,000**	104,474
Basic and diluted earnings per unit (cents)	**8.96**	13.31

10. Contingent liabilities and contingent assets

The Group has no contingent liabilities and assets as at 31 December 2014 (2013: $nil).

Notes to the Condensed Consolidated Financial Statements (Continued)

11. Commitments

The Group has commitments of $nil at 31 December 2014 (2013: $nil).

12. Events occurring after the reporting period

There have been no significant events or transactions that have arisen since 31 December 2014 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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Directors' Declaration

For the half-year ended 31 December 2014

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 Trust will be able to pay its debts as and when they become due and payable;

(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; and

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, 19 February 2015

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

We have reviewed the accompanying half-year financial report of Industria REIT, which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration for the consolidated entity comprising the trust and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 8 to 22.

Directors' Responsibility for the Half-Year Financial Report

The Directors of the trust 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 Industria REIT's financial position as at 31 December 2014 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 Industria REIT, 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 of Industria REIT, would be in the same terms if given to the directors as at the time of this auditor's review report.

Deloitte

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 Industria REIT is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 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

DELOITTE TOUCHE TOHMATSU

Peter A Caldwell
Partner
Chartered Accountants
Melbourne, 19 February 2015