



**Centuria Industrial REIT**  
**The consolidated entity comprises Centuria Industrial REIT**  
**and its subsidiaries**

**ARSN 099 680 252**

**Interim Financial Report**  
**For the half-year ended 31 December 2017**

# Centuria Industrial REIT

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# Directors' report

## For the half year ended 31 December 2017

The directors of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT ('CIP') present their report, together with the interim financial report of the Trust and its subsidiaries ('the Trust') for the half year ended 31 December 2017 and the independent auditor's review report thereon.

### Directors of the Responsible Entity

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

Name	Appointed	Resigned	Directorship of other listed companies
Peter Done	26 Jun 2017	Continuing	Centuria Capital Limited
Darren Collins	26 Jun 2017	Continuing	Not applicable
Matthew Hardy	26 Jun 2017	Continuing	Not applicable
Jason Huljich	26 Jun 2017	12 Oct 2017	Centuria Capital Limited
Nicholas Collishaw	12 Oct 2017	Continuing	Centuria Capital Limited
Roger Dobson	12 Oct 2017	Continuing	Not applicable

The company secretary of Centuria Industrial REIT during or since the end of the financial year is:

Name	Appointed	Resigned
James Lonie	16 Jun 2017	Continuing

No director holds any units in the Trust.

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

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

### Principal activities

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

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

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

### Significant change in the state of affairs

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

### Review of operations

#### Results

The results of the operations of the Trust are disclosed in the consolidated interim statement of profit or loss and other comprehensive income of the interim financial report. The Trust's profit from continuing operations for the half year ended 31 December 2017 was \$49,608,000 (31 December 2016: \$31,362,000 profit).

As at 31 December 2017, the Trust's Net Tangible Assets ('NTA') has increased 0.11 cents per unit ('cpu'), or 4.7%, to \$2.46 per unit since 30 June 2017.

#### Investment property valuations

The total value of the Trust's portfolio as at 31 December 2017 was \$1,005.2 million representing an increase of 10.2% from 31 December 2016 on a like for like basis, excluding new acquisitions.

The weighted average capitalisation rate for the portfolio, has firmed 42 basis points to 7.0% at 31 December 2017 (31 December 2016: 7.42%).

**Review of operations (continued)**

**Leasing and occupancy**

The Trust secured 159,502 sqm of leases across 18 transactions for the half year ended 31 December 2017. This represented 20.8% of the portfolio's gross lettable area.

At 31 December 2017 the Trust's portfolio was 95.9% occupied with a weighted average lease expiry of 4.9 years. For the year ending 30 June 2018, lease expiries represents less than 3.5% of portfolio income.

**Capital management**

As at 31 December 2017, the Trust had drawn borrowings of \$436.8 million with a weighted average expiry of 3 years. The drawn debt was 77.9% hedged helping provide security over the interest rate exposure of the Trust.

The Trust's gearing at 31 December 2017 was 40.6% (30 June 2017: 43.1%).

**Outlook**

The Responsible Entity's strategy and ongoing focus remains unchanged. Management continues to focus on portfolio leasing to ensure occupancy and income are maximised, active asset management, risk mitigation and repositioning strategies. Management are also focused on continued deleveraging of the balance sheet and acquiring quality assets to replace the sale of non-core assets in order to enhance existing stable and secure income streams.

The Responsible Entity confirms distributable earnings guidance for the year ending 30 June 2018 is expected to be in the range of 19.5 - 20.0 cpu. The distribution guidance for the year ending 30 June 2018 is 19.4 cpu which will be paid in equal quarterly instalments.

**Distributions**

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

	31 December 2017		31 December 2016	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.85	12,022	5.40	11,445
December quarter	4.85	12,029	5.40	11,445
	<u>9.70</u>	<u>24,051</u>	10.80	22,890

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 Dec 2017
Record date	29 Dec 2017
Distribution payment date	31 Jan 2018

The distributable earnings for the half year ended 31 December 2017 were \$24.2 million. This was a 5.9% increase to the prior period.

The following table provides a reconciliation from the consolidated interim statement of profit or loss and other comprehensive income to the distributable earnings for the half year:

## Directors' report

### Review of operations (continued)

#### Distributions (continued)

	31 December 2017 \$'000	31 December 2016 \$'000
<b>Net profit for the half year</b>	<b>49,608</b>	<b>31,362</b>
<b>Adjustments:</b>		
Net gain on fair value of investment properties	(24,885)	(2,918)
Gain on fair value of derivative financial instruments	(492)	(5,200)
Straight-lining of rental income	720	(1,146)
Amortisation of incentives and leasing fees	1,051	430
Amortisation of borrowing costs	363	354
Net gain on fair value of financial assets	(2,142)	-
<b>Distributable earnings for the half year</b>	<b>24,223</b>	<b>22,882</b>

#### Distribution reinvestment plan

The Trust has reactivated the Distribution Reinvestment Plan ('DRP') under which unitholders may elect to have all or part of their distribution entitlement reinvested by the issue of new units rather than being paid cash.

#### Events subsequent to balance date

No other matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

#### Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 4 and forms part of the Directors' report for the half year ended 31 December 2017.

#### Rounding off of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the interim financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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



Peter Done  
Director  
Sydney



Matthew Hardy  
Director

Sydney  
8 February 2018



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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Centuria Industrial  
REIT for the half-year ended 31 December 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the  
*Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Nigel Virgo

*Partner*

Sydney

8 February 2018

# Centuria Industrial REIT Interim Financial Report

For the half year ended 31 December 2017

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## Consolidated interim statement of profit or loss and other comprehensive income

For the half year ended 31 December 2017

	Note	31 December 2017 \$'000	31 December 2016 \$'000
<b>Revenue</b>			
Rent and recoverable outgoings	B2	40,999	40,598
<b>Total revenue from continuing operations</b>		<b>40,999</b>	<b>40,598</b>
<b>Other income</b>			
Interest income		82	53
Net gain on fair value of investment properties	C1	24,885	2,918
Gain on fair value of derivative financial instruments		492	5,200
Other income		1,676	319
Net gain on fair value of financial assets held at fair value through profit or loss after transaction costs		2,142	-
<b>Total other income</b>		<b>29,277</b>	<b>8,490</b>
<b>Total revenue from continuing operations and other income</b>		<b>70,276</b>	<b>49,088</b>
<b>Expenses</b>			
Rates, taxes and other property outgoings		8,221	6,393
Finance costs	B3	8,499	8,089
Management fees	D2	3,013	2,820
Other expenses		935	424
<b>Profit from continuing operations for the period</b>		<b>49,608</b>	<b>31,362</b>
<b>Net profit for the period</b>		<b>49,608</b>	<b>31,362</b>
<b>Total comprehensive income for the period</b>		<b>49,608</b>	<b>31,362</b>
<b>Basic and diluted earnings per unit</b>			
Basic earnings per unit		20.70	14.80

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

# Consolidated interim statement of financial position

As at 31 December 2017

	31 December 2017	30 June 2017
Note	\$'000	\$'000
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	7,537	8,189
Trade and other receivables	3,172	2,248
Investment properties held for sale	10,000	10,000
Other assets	1,827	4,393
<b>Total current assets</b>	<b>22,536</b>	<b>24,830</b>
<b>Non-current assets</b>		
Investment properties	995,221	886,150
Investments in listed entities	46,544	-
Intangibles	10,501	10,501
Derivative financial instruments	162	-
<b>Total non-current assets</b>	<b>1,052,428</b>	<b>896,651</b>
<b>Total assets</b>	<b>1,074,964</b>	<b>921,481</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	18,787	17,147
Borrowings	-	55,000
Derivative financial instruments	83	219
<b>Total current liabilities</b>	<b>18,870</b>	<b>72,366</b>
<b>Non-current liabilities</b>		
Borrowings	434,652	339,958
Derivative financial instruments	-	195
<b>Total non-current liabilities</b>	<b>434,652</b>	<b>340,153</b>
<b>Total liabilities</b>	<b>453,522</b>	<b>412,519</b>
<b>Net assets</b>	<b>621,442</b>	<b>508,962</b>
<b>Equity</b>		
Issued capital	625,474	538,551
Accumulated losses	(4,032)	(29,589)
<b>Total equity</b>	<b>621,442</b>	<b>508,962</b>

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

## Consolidated interim statement of changes in equity

For the half year ended 31 December 2017

	Note	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
<b>Balance at 1 July 2016</b>		<b>538,551</b>	<b>(36,955)</b>	<b>501,596</b>
Net profit for the period		-	31,362	31,362
Other comprehensive income		-	-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>31,362</b>	<b>31,362</b>
Dividends provided for or paid		-	(22,890)	(22,890)
<b>Balance at 31 December 2016</b>		<b>538,551</b>	<b>(28,483)</b>	<b>510,068</b>
<b>Balance at 1 July 2017</b>		<b>538,551</b>	<b>(29,589)</b>	<b>508,962</b>
Net profit for the period		-	49,608	49,608
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>49,608</b>	<b>49,608</b>
Units issued	C5	88,034	-	88,034
Dividend reinvestment plan ('DRP')	C5	308	-	308
Equity raising costs	C5	(1,419)	-	(1,419)
Dividends provided for or paid		-	(24,051)	(24,051)
<b>Balance at 31 December 2017</b>		<b>625,474</b>	<b>(4,032)</b>	<b>621,442</b>

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

## Consolidated interim statement of cash flows

For the half year ended 31 December 2017

	31 December 2017	31 December 2016
Note	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Receipts from customers	39,159	45,847
Payments to suppliers	(10,294)	(15,287)
Interest received	82	53
Interest paid	(7,202)	(7,788)
<b>Net cash generated by operating activities</b>	<b>21,745</b>	<b>22,825</b>
<b>Cash flows from investing activities</b>		
Payments for investment properties	(81,988)	(5,317)
Payments for investments held in listed trusts	(44,402)	-
<b>Net cash used in investing activities</b>	<b>(126,390)</b>	<b>(5,317)</b>
<b>Cash flows from financing activities</b>		
Distribution paid	(21,994)	(22,944)
Proceeds from borrowings	39,500	16,000
Repayment of borrowings	-	(10,000)
Payments for borrowing costs	(128)	(2)
Proceeds from issue of units	88,034	-
Equity issue costs	(1,419)	-
<b>Net cash generated by/(used in) financing activities</b>	<b>103,993</b>	<b>(16,946)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(652)</b>	<b>562</b>
Cash and cash equivalents at beginning of the period	8,189	4,452
<b>Cash and cash equivalents at end of period</b>	<b>7,537</b>	<b>5,014</b>

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

# Condensed notes to the interim financial report

For the half year ended 31 December 2017

## A About the report

### A1 General information

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

#### Statement of compliance

The interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134: Interim Financial Reporting and the Corporations Act 2001.

The interim financial report does not include all of the information required for the annual financial report, and should be read in conjunction with the annual financial report of the Trust for the year ended 30 June 2017.

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

The interim financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds No. 2 Limited, the Responsible Entity, on 8 February 2018.

#### Basis of preparation

The interim financial report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

#### Going concern

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

The principal accounting policies adopted in the preparation of the interim financial report are consistent with those of the previous financial year and corresponding interim reporting period.

#### Rounding of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the interim financial statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

#### Functional and presentation currency

The interim financial report is presented in Australian dollars, which is the Trust's functional currency.

#### Additional information

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

**Registered office:**

Suite 39.01, Level 39, 100 Miller Street  
NORTH SYDNEY NSW 2060

**Principal place of business:**

Suite 39.01, Level 39, 100 Miller Street  
NORTH SYDNEY NSW 2060

### A2 Segment reporting

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

## B Trust performance

### B1 Distributions

	31 December 2017		31 December 2016	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.85	12,022	5.40	11,445
December quarter	4.85	12,029	5.40	11,445
	<u>9.70</u>	<u>24,051</u>	10.80	22,890

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 Dec 2017
Record date	29 Dec 2017
Distribution payment date	31 Jan 2018

### B2 Rental income

	31 December 2017	31 December 2016
	\$'000	\$'000
Rent and recoverable outgoings	41,719	39,452
Straight-lining of lease revenue	(720)	1,146
	<u>40,999</u>	40,598

### B3 Finance costs

Finance costs include interest expense and amortised borrowing costs. Interest expense is recognised in profit or loss as it accrues. Finance costs are recognised using the effective interest rate applicable to the financial liability.

	31 December 2017	31 December 2016
	\$'000	\$'000
Interest expense	8,136	7,735
Borrowing costs	363	354
	<u>8,499</u>	8,089

## C Trust's assets and liabilities

### C1 Investment properties

	31 December 2017 \$'000	30 June 2017 \$'000
Opening balance	886,150	882,400
Investment properties no longer held for sale	-	22,800
Acquisitions of investment properties	82,867	-
Capital improvements and associated costs	263	2,925
Total purchase costs	<u>83,130</u>	<u>25,725</u>
Gain on fair value	24,885	3,767
Change in deferred rent and lease incentives	443	3,928
Disposed deferred rent and lease incentives	-	181
Change in capitalised leasing fees	650	187
Disposals at fair value	-	(20,000)
Rental guarantee cash received	(37)	(38)
Closing gross balance	<u>995,221</u>	<u>896,150</u>
Less: Investment properties held for sale	-	(10,000)
Closing balance <sup>^</sup>	<u>995,221</u>	<u>886,150</u>

<sup>^</sup> The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$16.5 million (2017 \$15.4 million).

## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Last Independent Valuer valuation date
	31 Dec 2017 \$'000	30 Jun 2017 \$'000	31 Dec 2017 %	30 Jun 2017 %	31 Dec 2017 %	30 Jun 2017 %	
12-13 Dansu Ct, Hallam VIC	14,200	14,300	7.00%	7.50%	7.75%	8.25%	Director Oct 2017
14-17 Dansu Ct, Hallam VIC	18,200	17,300	7.00%	7.50%	7.75%	8.25%	Director Oct 2017
310 Spearwood Ave, Bibra Lake WA	54,000	47,800	7.50%	8.00%	8.50%	9.50%	Director Oct 2017
6 Albert St, Preston VIC	27,200	26,200	7.50%	7.75%	7.75%	8.25%	Director Oct 2017
102-128 Bridge Rd, Keysborough VIC	31,007	30,900	7.50%	7.75%	8.50%	8.25%	Director Oct 2017
500 Princes Hwy, Noble Park VIC	20,500	20,300	8.00%	8.00%	8.75%	8.25%	Director Oct 2017
8 Penelope Cres, Arndell Park NSW	16,750	15,500	6.25%	6.75%	7.50%	8.25%	Director Oct 2017
37-51 Scrivener St, Warwick Farm NSW	31,400	29,700	7.25%	7.50%	7.50%	8.50%	Director Oct 2017
54 Sawmill Cct, Hume ACT	15,600	15,300	7.00%	7.25%	7.75%	8.50%	Director Oct 2017
9-13 Caribou Dr, Direk SA	8,100	8,250	9.00%	9.00%	9.50%	10.00%	Director Oct 2017
22 Hawkins Cres, Bundamba QLD	46,200	44,000	6.75%	7.25%	7.75%	8.50%	Director Oct 2017
1 Ashburn Rd, Bundamba QLD	37,000	36,250	6.75%	7.50%	7.75%	8.25%	Director Oct 2017
457 Waterloo Rd, Chullora NSW	23,000	22,600	6.75%	6.75%	8.00%	8.25%	Director Oct 2017
69 Studley Ct, Derrimut VIC	20,250	20,000	7.25%	7.25%	7.50%	8.00%	Director Oct 2017
21 Jay St, Mount St John, Townsville QLD	10,500	11,000	7.50%	8.00%	8.00%	9.00%	Director Oct 2017
2 Woolworths Way, Warnervale NSW	81,000	81,000	7.50%	7.25%	7.75%	8.50%	Director Oct 2017
33-37 Mica St, Carole Park QLD	28,750	28,000	6.75%	7.25%	8.00%	8.75%	Director Oct 2017
69 Rivergate Pl, Murarrie QLD	30,000	30,000	6.50%	6.50%	7.25%	7.75%	Director Oct 2017
136 Zillmere Rd, Boondall QLD	30,500	28,500	6.75%	7.25%	7.25%	7.75%	Director Oct 2017
24-32 Stanley Dr, Somerton VIC	24,700	26,500	7.00%	7.50%	7.50%	8.50%	Director Oct 2017
74-94 Newton Rd, Wetherill Park NSW	27,300	25,000	6.50%	6.75%	7.50%	7.75%	Director Oct 2017
75 Owen St, Glendenning NSW	7,600	7,400	6.50%	6.75%	7.25%	7.75%	Director Oct 2017
6 Macdonald Rd, Ingleburn NSW	19,400	18,650	6.75%	7.00%	8.00%	8.25%	Director Oct 2017
10 Williamson Rd, Ingleburn NSW	38,200	36,650	7.00%	7.25%	8.00%	8.25%	Director Oct 2017
12 Williamson Rd, Ingleburn NSW	34,850	34,500	7.00%	7.25%	8.00%	8.50%	Director Oct 2017
30 Clay Pl, Eastern Creek NSW	17,600	16,300	6.00%	6.50%	7.50%	8.25%	Director Oct 2017
92-98 Cosgrove Rd, Enfield NSW	39,000	38,500	7.00%	7.25%	8.00%	8.25%	Director Oct 2017
52-74 Quarry Rd, Erskine Park NSW	15,850	15,400	6.50%	6.75%	7.25%	8.25%	Director Oct 2017
29 Glendenning Rd, Glendenning NSW	41,800	40,000	6.00%	6.50%	7.25%	8.25%	Director Oct 2017
23 Selkis Rd, Bibra Lake WA	19,750	19,750	7.50%	7.50%	8.25%	8.50%	Director Oct 2017

## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Last independent valuation date
	31 Dec 2017 \$'000	30 Jun 2017 \$'000	31 Dec 2017 %	30 Jun 2017 %	31 Dec 2017 %	30 Jun 2017 %	
324-332 Frankston-Dandenong Rd, Dandenong South VIC	27,250	26,700	6.75%	7.50%	7.50%	8.25%	Director Oct 2017
99 Quill Way, Henderson WA	14,000	15,600	7.75%	8.25%	8.00%	9.00%	Director Oct 2017
2 Keon Pde, Keon Park VIC	23,500	21,700	6.50%	7.00%	8.00%	8.50%	Director Oct 2017
49 Temple Dr, Thomastown VIC	13,000	12,400	7.50%	8.00%	8.00%	8.75%	Director Oct 2017
9 Fellowes Ct, Tuillamarine VIC	4,264	4,200	7.00%	7.25%	7.00%	7.75%	Director Oct 2017
207-219 Browns Rd, Noble Park VIC	37,500	-	6.75%	-	7.75%	-	Director Oct 2017
Lot 14 Sudlow Rd, Bibra Lake WA	32,500	-	7.50%	-	8.25%	-	Director Oct 2017
92 Robinson Rd, Belmont WA	11,200	-	7.75%	-	7.75%	-	Director Oct 2017
43-45 Mica St, Carole Park QLD	1,800	-	6.00%	-	-	-	Director Nov 2017
	<b>995,221</b>	<b>886,150</b>					

During the half year, the Trust acquired 207-219 Browns Road, Noble Park VIC, Lot 14 Sudlow Road, Bibra Lake WA, 92 Robinson Road, Belmont WA and 43-45 Mica Street, Carole Park QLD.

The Trust's weighted average capitalisation rate as at 31 December 2017 is 7.02% (30 June 2017: 7.31%).

## Trust's assets and liabilities

### C2 Investment properties classified as held for sale

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

	31 December 2017 \$'000	30 June 2017 \$'000
39-45 Wedgewood Rd, Hallam VIC	10,000	10,000
	<u>10,000</u>	<u>10,000</u>

On 5 July 2017, the Trust entered into an unconditional contract for the sale of 39-45 Wedgewood Rd, Hallam VIC. The contract provides for settlement on a deferred basis, and is expected to occur on 29 June 2018.

### C3 Investments in listed entities

On 8 September 2017, the Trust has acquired 44,543,981 units of Propertylink Group ('PLG') at \$0.95 per unit.

	31 December 2017 \$'000	30 June 2017 \$'000
<b>Investment in Propertylink Group ("PLG")</b>		
Acquisitions (including transaction costs)	44,402	-
Gain on fair value	2,142	-
Closing balance	<u>46,544</u>	<u>-</u>

### C4 Borrowings

	31 December 2017 \$'000	30 June 2017 \$'000
<b>Current</b>		
Secured loan	-	55,000
	<u>-</u>	<u>55,000</u>
<b>Non-current</b>		
Secured loan	436,752	342,252
Borrowing costs	(2,100)	(2,294)
	<u>434,652</u>	<u>339,958</u>

As at 31 December 2017, the Trust had \$190.0 million (2017 \$190.0 million) of interest rate swaps hedged against its drawn debt. In addition to these, \$150.0 million of the Trust debt facilities are on a fixed interest basis taking the total hedged debt to \$340.0 million.

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

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

## Trust's assets and liabilities

### C5 Issued capital

	31 December 2017		30 June 2017	
	Units '000	\$'000	Units '000	\$'000
<b>Opening balance</b>	<b>211,957</b>	<b>538,551</b>	211,957	538,551
Units issued	35,932	88,034	-	-
Distribution reinvestment plan ('DRP')	124	308	-	-
Equity raising costs	-	(1,419)	-	-
<b>Closing balance</b>	<b>248,013</b>	<b>625,474</b>	211,957	538,551

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

## D Other notes

### D1 Fair value of financial instruments

The fair values of financial assets and financial liabilities, together with the carrying amounts in the consolidated interim statement of financial position are as follows:

	Measurement	Fair value hierarchy	Carrying amount \$'000	Fair value \$'000
<b>31 December 2017</b>				
<b>Financial assets</b>				
Investments in listed entity	Fair Value	Level 1	46,544	46,544
Interest rate swaps	Fair Value	Level 2	162	162
			<u>46,706</u>	<u>46,706</u>
<b>Financial liabilities</b>				
Payables (excluding non-financial payables)	Amortised Cost	Not applicable	14,266	14,266
Borrowings (excluding borrowing costs)	Amortised Cost	Not applicable	434,652	436,752
Interest rate swaps	Fair Value	Level 2	83	83
			<u>449,001</u>	<u>451,101</u>
<b>30 June 2017</b>				
<b>Financial liabilities</b>				
Payables (excluding non-financial payables)	Amortised Cost	Not applicable	13,835	13,835
Borrowings (excluding borrowing costs)	Amortised Cost	Not applicable	394,958	397,252
Interest rate swaps	Fair Value	Level 2	414	414
			<u>409,207</u>	<u>411,501</u>

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities recorded at amortised cost in the financial report approximates their fair value.

#### Valuation techniques

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

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

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

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

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

## Other notes

### D1 Fair value of financial instruments (continued)

#### Valuation techniques (continued)

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

#### Fair value hierarchy

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy:

	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>31 December 2017</b>				
<b>Financial assets held at fair value</b>				
Investment in listed equity	46,544	46,544	-	-
Interest rate swaps	162	-	162	-
	<u>46,706</u>	<u>46,544</u>	<u>162</u>	<u>-</u>
<b>31 December 2017</b>				
<b>Financial liabilities held at fair value</b>				
Interest rate swaps	83	-	83	-
	<u>83</u>	<u>-</u>	<u>83</u>	<u>-</u>
<b>30 June 2017</b>				
<b>Financial liabilities held at fair value</b>				
Interest rate swaps	414	-	414	-
	<u>414</u>	<u>-</u>	<u>414</u>	<u>-</u>

There were no transfers between Level 1 and Level 2 during the period.

The Responsible Entity obtains independent valuations to measure the fair value of financial instruments at each reporting date. The Responsible Entity assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of International Financial Reporting Standards, including the level in the fair value hierarchy that the resulting fair value estimate should be classified.

### D2 Related parties

#### Key management personnel

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

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

#### Key management personnel loan disclosures

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

#### Responsible entity fees and other transactions

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

Custodian fees are paid to the custodian, also being Centuria Property Funds No. 2 Limited, and calculated in accordance with the constitution at a rate of 0.05% of the Trust's gross assets.

## Other notes

### D2 Related parties (continued)

#### Responsible entity fees and other transactions (continued)

At reporting date an amount of \$635,776 (2017: \$494,272) owing to the Responsible Entity was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices.

The following fees were paid and/or payable to the Responsible Entity and its related parties during the period:

	31 December 2017 \$'000	31 December 2016 \$'000
Management fees	3,013	2,820
Property management fees	340	-
Custodian fees	218	200
Facility management fees	157	-
Due diligence acquisition costs	100	-
Fund recoveries	94	33
Leasing fees	49	-
Project management fees	19	-
	<u>3,990</u>	<u>3,053</u>

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

#### Units in the Trust held by related parties

At 31 December 2017, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
<b>31 December 2017</b>		
Centuria Capital No. 2 Industrial Fund	47,186,898	19.03%
Centuria Property Funds No. 2 Limited	1,185,770	0.48%
Centuria Growth Bond Fund	650,000	0.26%
Centuria Balanced Fund	350,000	0.14%
	<u>49,372,668</u>	<u>19.91%</u>
<b>30 June 2017</b>		
Centuria Capital No. 2 Industrial Fund	33,148,945	15.64%
Centuria Growth Bond Fund	650,000	0.31%
Centuria Balanced Fund	350,000	0.17%
	<u>34,148,945</u>	<u>16.12%</u>

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

#### Other transactions within the Trust

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

#### D3 Events subsequent to reporting date

No other matters or circumstances have arisen since the end of the period which have significantly affected or may significantly affect the operations of the Trust, the results of those operations, or the state of affairs of the Trust in future financial years.

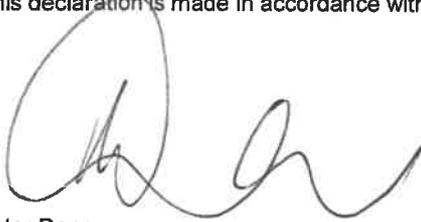
## Directors' declaration

For the half year ended 31 December 2017

The Directors of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT, declare that:

- (a) in the directors' 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) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note A1 to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes A1 to D3 are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and giving a true and fair view of the Trust's financial position as at 31 December 2017 and of its performance for the half year ended on that date.

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



Peter Done  
Director  
Sydney



Matthew Hardy  
Director

Sydney  
8 February 2018



# Independent Auditor's Review Report

To the unitholders of Centuria Industrial REIT

## Conclusion

We have reviewed the accompanying **Interim Financial Report** of Centuria Industrial REIT (the Group).

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Interim Financial Report of the Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2017 and of its performance for the **Half-year** ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2017
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the Half Year ended on that date
- Notes A1 to D3 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The **Group** comprises Centuria Industrial REIT and the entities it controlled at the Half-year's end or from time to time during the Half-year.

The **Half-year** is the 6 months ended on 31 December 2017.

## Responsibilities of the Directors for the Interim Financial Report

The Directors of the Centuria Property Funds No. 2 Limited (the Responsible Entity) are responsible for:

- the preparation of the Interim Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Interim Financial Report that is free from material misstatement, whether due to fraud or error.

## Auditor's responsibility for the review of the Interim Financial Report

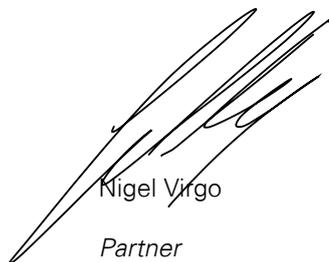
Our responsibility is to express a conclusion on the Interim Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Interim Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the Half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Centuria Industrial 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.

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



KPMG



Nigel Virgo

Partner

Sydney

8 February 2018