



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

**ARSN 099 680 252**

**Annual Financial Report**  
**For the year ended 30 June 2018**

# Centuria Industrial REIT

## Table of contents

For the year ended 30 June 2018

### Contents

|                                       | Page |
|---------------------------------------|------|
| Directors' report                     | 1    |
| Auditor's Independence Declaration    | 6    |
| Annual Financial Report               | 7    |
| Directors' declaration                | 38   |
| Independent auditor's report          | 39   |
| Corporate Governance Statement        | 43   |
| Additional stock exchange information | 44   |

# Directors' report

## For the year ended 30 June 2018

The directors of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT ('CIP') present their report, together with the consolidated financial statements of the Trust and its subsidiaries ('the Trust') for the year ended 30 June 2018 and the independent auditor's report thereon.

### Directors of the Responsible Entity

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

| Name               | Appointed   | Resigned    | Directorship of other listed companies |
|--------------------|-------------|-------------|----------------------------------------|
| 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 | 01 Oct 2017 | Centuria Capital Limited               |
| Nicholas Collishaw | 01 Oct 2017 | Continuing  | Centuria Capital Limited               |
| Roger Dobson       | 01 Oct 2017 | Continuing  | Not applicable                         |

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

| Name         | Appointed   | Resigned    |
|--------------|-------------|-------------|
| Anna Kovarik | 05 Jul 2018 | Continuing  |
| James Lonie  | 16 Jun 2017 | 05 Jul 2018 |

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

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

### Principal activities

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

The principal activity of the Trust 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 financial year.

### Significant changes in the state of affairs

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

### Review of operations

#### Results

The results of the operations of the Trust are disclosed in the consolidated statement of profit or loss and other comprehensive income of these financial statements. The Trust's profit from continuing operations for the year ended 30 June 2018 was \$98,895,000 (30 June 2017: \$50,817,000).

As at 30 June 2018, the Trust's Net Tangible Assets ('NTA') has increased 21.0 cents per unit ('cpu'), or 8.9%, to \$2.56 per unit.

#### Investment property valuations

The total value of the Trust's portfolio as at 30 June 2018 was \$1,009.0 million representing an increase of 6.4% from 30 June 2017 on a like for like basis.

The weighted average capitalisation rate for the portfolio, on a like for like basis, has firmed 57 basis points to 6.75% as at 30 June 2018.

**Review of operations (continued)**

**Leasing and occupancy**

The Trust secured 238,189 square metres ('sqm') of leases across 27 transactions for the year ended 30 June 2018. This represented 32.4% of the portfolio's gross lettable area.

At 30 June 2018, the Trust's portfolio was 94.5% occupied with a Weighted Average Lease Expiry ('WALE') of 5.1 years. For the upcoming financial year ending 30 June 2019, lease expiries represented 6.8% of portfolio income.

**Capital management**

As at 30 June 2018, the Trust had drawn borrowings of \$429.8 million with a weighted average expiry of 2.5 years. The drawn debt was 79.1% hedged helping provide security over the expenses of the Trust.

The Trust's gearing at 30 June 2018 was 38.4% (30 June 2017: 43.1%).

**Outlook**

The Responsible Entity's strategy and ongoing focus remains unchanged. Management continue 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 acquiring quality assets in order to enhance existing stable and secure income streams.

The Trust's distributable earnings guidance for the year ending 30 June 2019 is expected to be in the range of 18.5 - 19.0 cpu. The distributable guidance for the year ending 30 June 2019 is 18.4 cpu which will be paid in equal quarterly instalments.

**Distributions**

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

|                   | 30 June 2018   |               | 30 June 2017   |               |
|-------------------|----------------|---------------|----------------|---------------|
|                   | Cents per unit | \$'000        | Cents per unit | \$'000        |
| September quarter | 4.85           | 12,022        | 5.40           | 11,446        |
| December quarter  | 4.85           | 12,029        | 5.40           | 11,445        |
| March quarter     | 4.85           | 12,037        | 4.85           | 10,280        |
| June quarter      | 4.85           | 12,045        | 4.85           | 10,280        |
|                   | <b>19.40</b>   | <b>48,133</b> | <b>20.50</b>   | <b>43,451</b> |

Key dates in connection with the 30 June 2018 distribution are:

| Event                     | Date        |
|---------------------------|-------------|
| Ex-distribution date      | 28 Jun 2018 |
| Record date               | 29 Jun 2018 |
| Distribution payment date | 27 Jul 2018 |

## Directors' report

### Review of operations (continued)

#### Distributions (continued)

The distributable earnings for the year ended 30 June 2018 were \$47.6 million. This was a 9.37% increase to the prior year.

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

|                                                            | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|------------------------------------------------------------|------------------------|------------------------|
| <b>Net profit for the year</b>                             | <b>98,895</b>          | 50,817                 |
| <b>Adjustments:</b>                                        |                        |                        |
| Net gain on fair value of investment properties            | (50,416)               | (3,767)                |
| Net gain on fair value of derivative financial instruments | (453)                  | (3,789)                |
| Straight-lining of rental income                           | 438                    | (2,297)                |
| Net gain on fair value of investments in listed trusts     | (4,935)                | -                      |
| Other one off item                                         | 800                    | -                      |
| Amortisation of incentives and leasing fees                | 2,499                  | 1,218                  |
| Amortisation of borrowing costs                            | 760                    | 1,329                  |
| <b>Distributable earnings for the year</b>                 | <b>47,588</b>          | 43,511                 |

The Trust issued 35.9 million units during September 2017 quarter to assist with the acquisition of new properties. These units were entitled to a distribution for the full September 2017 quarter, however as the properties acquired were not owned for the entire quarter, the income received from these properties was less than the distribution paid for this period. Accordingly, this has resulted in total distributions for the year being higher than the distributable earnings.

#### Environmental regulation

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

#### Options granted

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

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

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

#### Events subsequent to balance date

On the 13 July 2018, the Trust settled on the sale of 39-45 Wedgewood Road, Hallam, VIC for \$10.0 million.

On 20 July 2018, the Trust entered into an unconditional contract and paid a 5% deposit for the acquisition of 616 Boundary Street, Richlands QLD for a purchase price of \$15.9 million. The acquisition was settled on 20 August 2018.

The Trust has divested its entire holding in Propertylink Group ('PLG') on 9 Aug 2018 at a price of \$1.01 per unit. The proceeds after transaction costs were \$46.3 million.

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

## Directors' report

### Indemnifying officers or auditors

#### *Indemnification*

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

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

#### *Insurance premiums*

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

### Trust information in the directors' report

#### *Responsible Entity interests*

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

|                                 | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|---------------------------------|------------------------|------------------------|
| Leasing fees                    | 520                    | 1                      |
| Management fees                 | 6,233                  | 5,571                  |
| Custodian fees                  | 452                    | 397                    |
| Property management fees        | 697                    | 114                    |
| Facility management fees        | 298                    | 19                     |
| Due diligence acquisition costs | 100                    | -                      |
| Project management fees         | 96                     | 8                      |
|                                 | <b>8,396</b>           | <b>6,110</b>           |

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

#### *Other Trust information*

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

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

#### *Auditor's independence declaration*

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

#### *Rounding off of amounts*

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

## Directors' report

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



Peter Done  
Director



Matthew Hardy  
Director

Sydney  
21 August 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 audit for the financial year ended  
30 June 2018 there have been:

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

A stylized signature of the KPMG firm, consisting of the letters 'KPMG' in a cursive, handwritten style.

KPMG

A stylized signature of Nigel Virgo, consisting of several overlapping, diagonal strokes.

Nigel Virgo

Partner

Sydney

21 August 2018

# Centuria Industrial REIT Annual Financial Report

For the year ended 30 June 2018

## Contents

|                                                                         | Page |
|-------------------------------------------------------------------------|------|
| Consolidated statement of profit or loss and other comprehensive income | 8    |
| Consolidated statement of financial position                            | 9    |
| Consolidated statement of changes in equity                             | 10   |
| Consolidated statement of cash flows                                    | 11   |
| Note to the financial statements                                        | 12   |
| A About the report                                                      | 12   |
| A1 General information                                                  | 12   |
| A2 Significant accounting policies                                      | 12   |
| B Trust performance                                                     | 14   |
| B1 Distribution                                                         | 14   |
| B2 Revenue                                                              | 14   |
| B3 Expenses                                                             | 15   |
| B4 Earnings per unit                                                    | 16   |
| C Trust's assets and liabilities                                        | 17   |
| C1 Trade and other receivables                                          | 17   |
| C2 Investment properties                                                | 17   |
| C3 Investment properties classified as held for sale                    | 22   |
| C4 Investments held in listed trusts                                    | 22   |
| C5 Intangibles                                                          | 23   |
| C6 Trade and other payables                                             | 23   |
| C7 Borrowings                                                           | 24   |
| C8 Derivatives                                                          | 25   |
| C9 Issued capital                                                       | 25   |
| C10 Contingent assets, liabilities and commitments                      | 26   |
| C11 Cash and cash equivalents                                           | 26   |
| D Trust structure                                                       | 27   |
| D1 Interest in material subsidiaries                                    | 27   |
| D2 Related parties                                                      | 28   |
| D3 Parent entity disclosures                                            | 29   |
| E Other notes                                                           | 31   |
| E1 Auditor's remuneration                                               | 31   |
| E2 Financial instruments                                                | 31   |
| E3 New accounting standards and interpretations                         | 35   |
| E4 Events subsequent to reporting date                                  | 37   |
| E5 Additional information                                               | 37   |
| Directors' declaration                                                  | 38   |
| Independent auditor's report                                            | 39   |

# Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

|                                                                                                              | Note | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|--------------------------------------------------------------------------------------------------------------|------|------------------------|------------------------|
| <b>Revenue</b>                                                                                               |      |                        |                        |
| Rent and recoverable outgoings                                                                               | B2   | 83,560                 | 80,425                 |
| <b>Total revenue from continuing operations</b>                                                              |      | <u>83,560</u>          | <u>80,425</u>          |
| <b>Other income</b>                                                                                          |      |                        |                        |
| Interest income                                                                                              |      | 132                    | 117                    |
| Net gain on fair value of investment properties                                                              | C2   | 50,416                 | 3,767                  |
| Gain on fair value of derivative financial instruments                                                       |      | 453                    | 3,789                  |
| Other income                                                                                                 |      | 3,398                  | 320                    |
| Net gain on fair value of financial assets held at fair value through profit or loss after transaction costs | C4   | 4,935                  | -                      |
| <b>Total other income</b>                                                                                    |      | <u>59,334</u>          | <u>7,993</u>           |
| <b>Total revenue from continuing operations and other income</b>                                             |      | <b>142,894</b>         | <b>88,418</b>          |
| <b>Expenses</b>                                                                                              |      |                        |                        |
| Rates, taxes and other property outgoings                                                                    |      | 18,968                 | 14,141                 |
| Finance costs                                                                                                | B3   | 17,532                 | 16,600                 |
| Management fees                                                                                              | D2   | 6,233                  | 5,571                  |
| Other expenses                                                                                               |      | 1,266                  | 1,289                  |
| <b>Profit from continuing operations for the year</b>                                                        |      | <u>98,895</u>          | <u>50,817</u>          |
| <b>Net profit for the year</b>                                                                               |      | <u>98,895</u>          | <u>50,817</u>          |
| <b>Other comprehensive income</b>                                                                            |      |                        |                        |
| Other comprehensive income for the year                                                                      |      | -                      | -                      |
| <b>Total comprehensive income for the year</b>                                                               | B4   | <u>98,895</u>          | <u>50,817</u>          |
| <b>Basic and diluted earnings per unit</b>                                                                   |      |                        |                        |
| Basic earnings per unit (cents per unit)                                                                     | B4   | 40.6                   | 24.0                   |

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

# Consolidated statement of financial position

As at 30 June 2018

|                                        | Note | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|----------------------------------------|------|------------------------|------------------------|
| <b>ASSETS</b>                          |      |                        |                        |
| <b>Current assets</b>                  |      |                        |                        |
| Cash and cash equivalents              | C11  | 21,177                 | 8,189                  |
| Trade and other receivables            | C1   | 3,606                  | 3,391                  |
| Other assets                           |      | 3,227                  | 3,250                  |
| Derivative financial instruments       | C8   | 14                     | -                      |
| Investment properties held for sale    | C3   | 10,000                 | 10,000                 |
| <b>Total current assets</b>            |      | <b>38,024</b>          | <b>24,830</b>          |
| <b>Non-current assets</b>              |      |                        |                        |
| Investment properties                  | C2   | 999,000                | 886,150                |
| Investments in listed entities         | C4   | 49,337                 | -                      |
| Intangibles                            | C5   | 10,501                 | 10,501                 |
| Derivative financial instruments       | C8   | 37                     | -                      |
| <b>Total non-current assets</b>        |      | <b>1,058,875</b>       | <b>896,651</b>         |
| <b>Total assets</b>                    |      | <b>1,096,899</b>       | <b>921,481</b>         |
| <b>LIABILITIES</b>                     |      |                        |                        |
| <b>Current liabilities</b>             |      |                        |                        |
| Trade and other payables               | C6   | 21,411                 | 17,147                 |
| Derivative financial instruments       | C8   | -                      | 219                    |
| Borrowings                             | C7   | 135,000                | 55,000                 |
| <b>Total current liabilities</b>       |      | <b>156,411</b>         | <b>72,366</b>          |
| <b>Non-current liabilities</b>         |      |                        |                        |
| Borrowings                             | C7   | 292,987                | 339,958                |
| Derivative financial instruments       | C8   | 11                     | 195                    |
| <b>Total non-current liabilities</b>   |      | <b>292,998</b>         | <b>340,153</b>         |
| <b>Total liabilities</b>               |      | <b>449,409</b>         | <b>412,519</b>         |
| <b>Net assets</b>                      |      | <b>647,490</b>         | <b>508,962</b>         |
| <b>EQUITY</b>                          |      |                        |                        |
| Issued capital                         | C9   | 626,317                | 538,551                |
| Retained earnings/(Accumulated losses) |      | 21,173                 | (29,589)               |
| <b>Total equity</b>                    |      | <b>647,490</b>         | <b>508,962</b>         |

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

# Consolidated statement of changes in equity

For the year ended 30 June 2018

|                                                | Note | Issued capital<br>\$'000 | Retained<br>earnings/<br>(accumulated<br>losses)<br>\$'000 | Total<br>equity<br>\$'000 |
|------------------------------------------------|------|--------------------------|------------------------------------------------------------|---------------------------|
| <b>Balance at 1 July 2016</b>                  |      | 538,551                  | (36,955)                                                   | 501,596                   |
| Net profit for the year                        |      | -                        | 50,817                                                     | 50,817                    |
| <b>Total comprehensive income for the year</b> |      | -                        | <b>50,817</b>                                              | <b>50,817</b>             |
| Distributions provided for or paid             | B1   | -                        | (43,451)                                                   | (43,451)                  |
| <b>Balance at 30 June 2017</b>                 |      | <b>538,551</b>           | <b>(29,589)</b>                                            | <b>508,962</b>            |
| <br><b>Balance at 1 July 2017</b>              |      | <br>538,551              | <br>(29,589)                                               | <br>508,962               |
| Net profit for the year                        |      | -                        | 98,895                                                     | 98,895                    |
| <b>Total comprehensive income for the year</b> |      | -                        | <b>98,895</b>                                              | <b>98,895</b>             |
| Units issued                                   | C9   | 88,034                   | -                                                          | 88,034                    |
| Dividend reinvestment plan ('DRP')             | C9   | 1,158                    | -                                                          | 1,158                     |
| Equity raising costs                           | C9   | (1,426)                  | -                                                          | (1,426)                   |
| Distributions provided for or paid             | B1   | -                        | (48,133)                                                   | (48,133)                  |
| <b>Balance at 30 June 2018</b>                 |      | <b>626,317</b>           | <b>21,173</b>                                              | <b>647,490</b>            |

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

# Consolidated statement of cash flows

For the year ended 30 June 2018

|                                                             | Note | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|-------------------------------------------------------------|------|------------------------|------------------------|
| <b>Cash flows from operating activities</b>                 |      |                        |                        |
| Receipts from customers                                     |      | 91,833                 | 87,557                 |
| Payments to suppliers                                       |      | (32,441)               | (31,054)               |
| Distribution received                                       |      | 1,676                  | -                      |
| Interest received                                           |      | 132                    | 117                    |
| Interest paid                                               |      | (16,748)               | (14,423)               |
| <b>Net cash generated by operating activities</b>           | C11  | <b>44,452</b>          | <b>42,197</b>          |
| <b>Cash flows from investing activities</b>                 |      |                        |                        |
| Net proceeds from sale of investment properties*            |      | 28,245                 | 20,000                 |
| Payments for investment properties                          |      | (88,973)               | (10,757)               |
| Payments for investments held in listed trusts              |      | (44,402)               | -                      |
| <b>Net cash (used in)/generated by investing activities</b> |      | <b>(105,130)</b>       | <b>9,243</b>           |
| <b>Cash flows from financing activities</b>                 |      |                        |                        |
| Distribution paid                                           |      | (45,210)               | (44,670)               |
| Proceeds from borrowings                                    |      | 47,500                 | 425,752                |
| Repayment of borrowings                                     |      | (15,000)               | (420,000)              |
| Payments for borrowing costs                                |      | (232)                  | (2,324)                |
| Payments for derivative financial instruments               |      | -                      | (6,461)                |
| Proceeds from issue of units                                |      | 88,034                 | -                      |
| Equity issue costs                                          |      | (1,426)                | -                      |
| <b>Net cash generated by/(used in) financing activities</b> |      | <b>73,666</b>          | <b>(47,703)</b>        |
| <b>Net increase in cash and cash equivalents</b>            |      | <b>12,988</b>          | <b>3,737</b>           |
| Cash and cash equivalents at beginning of financial year    |      | 8,189                  | 4,452                  |
| <b>Cash and cash equivalents at end of financial year</b>   | C11  | <b>21,177</b>          | <b>8,189</b>           |

\* The Trust disposed of 6 Albert St, Preston VIC on 29 June 2018 for a gross price of \$30.1 million. The Net proceeds from sale of investment properties above does not include the \$1.5 million deposit originally paid by the purchaser, as these funds were in a lawyers trust account and not received by the Trust until after reporting date, on 4 July 2018.

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

# Note to the financial statements

For the year ended 30 June 2018

## A About the report

### A1 General information

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

#### Statement of compliance

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

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

The financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds No. 2 Limited, the Responsible Entity, on 21 August 2018.

#### Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for investment properties, derivative financial instruments and financial assets at fair value through profit and loss, which have been measured at fair value at the end of each reporting period. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, which is the Trust's functional currency, unless otherwise noted.

#### (i) Going concern

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

#### (ii) Net current liability position

At reporting date, the directors of the Trust note that the Trust is in a net current liability position of \$118.4 million due to \$135.0 million of the borrowings being classified as current, as the tranches expire in February 2019. Given the cash generating potential of the Trust, diversification of the portfolio and WALE of the underlying properties combined with the headroom in existing loan covenants and a letter of indicative support from a financier, the directors of the Trust believe it will be able to refinance the debt prior to its expiry and be able to pay its debts as they fall due.

After taking into account all available information, the directors have concluded that there are reasonable grounds to believe the basis of preparation of the financial report on a going concern basis is appropriate.

#### Rounding of amounts

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

#### Functional and presentation currency

The financial statements are presented in Australian dollars, which is the Fund's functional currency.

### A2 Significant accounting policies

The accounting policies and methods of computation in the preparation of the consolidated financial statements are consistent with those adopted in the previous financial year ended 30 June 2017 unless specifically outlined below or in the relevant notes to the consolidated financial statements.

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

## About the report

### A2 Significant accounting policies (continued)

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

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

#### Use of estimates and judgements

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to the valuation of investment properties (per Note C2), derivative financial instruments (per Note E2) and goodwill (per Note C5).

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

#### Segment reporting

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

## B Trust performance

### B1 Distribution

|                   | 30 June 2018   |               | 30 June 2017   |               |
|-------------------|----------------|---------------|----------------|---------------|
|                   | Cents per unit | \$'000        | Cents per unit | \$'000        |
| September quarter | 4.85           | 12,022        | 5.40           | 11,446        |
| December quarter  | 4.85           | 12,029        | 5.40           | 11,445        |
| March quarter     | 4.85           | 12,037        | 4.85           | 10,280        |
| June quarter      | 4.85           | 12,045        | 4.85           | 10,280        |
|                   | <b>19.40</b>   | <b>48,133</b> | <b>20.50</b>   | <b>43,451</b> |

Key dates in connection with the 30 June 2018 distribution are:

| Event                     | Date        |
|---------------------------|-------------|
| Ex-distribution date      | 28 Jun 2018 |
| Record date               | 29 Jun 2018 |
| Distribution payment date | 27 Jul 2018 |

#### Distribution and taxation

Under current legislation the Trust is not subject to income tax when its taxable income (including assessable realised capital gains) is distributed in full to the unitholders. The Trust ordinarily fully distributes its distributable income, calculated in accordance with the Trust constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Investments and financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed to unitholders so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any future realised capital gains. If realised capital gains exceed realised capital losses the excess is distributed to the unitholders.

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

### B2 Revenue

#### Recognition and measurement

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

##### (i) Rental income

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

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

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

## Trust performance

### B2 Revenue (continued)

#### Recognition and measurement (continued)

##### (i) Rental income (continued)

|                                  | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|----------------------------------|------------------------|------------------------|
| Rent and recoverable outgoings   | 83,998                 | 78,127                 |
| Straight-lining of lease revenue | (438)                  | 2,298                  |
|                                  | <u>83,560</u>          | <u>80,425</u>          |

##### (ii) Recoverable outgoings

Recoverable outgoings are recognised on an accrual basis.

##### (iii) Interest revenue

Interest revenue is accrued based on principal outstanding using the effective interest rate method.

##### (iv) Sale of properties

Any gain or loss arising on the sale of an investment property is recognised when the significant risks and rewards of ownership have been transferred to the purchaser and where there is no continuing management involvement, which normally coincides with settlement of the contract for sale. The gain or loss is calculated as the difference between the net disposal proceeds and the carrying amount of the asset.

### B3 Expenses

#### Recognition and measurement

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

##### (i) Finance costs

Finance costs include interest expense and amortised borrowing costs.

|                                 | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|---------------------------------|------------------------|------------------------|
| Interest expense                | 16,772                 | 15,271                 |
| Amortisation of borrowing costs | 760                    | 1,329                  |
|                                 | <u>17,532</u>          | <u>16,600</u>          |

##### (ii) Other expenses

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

##### (iii) Goods and services tax

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

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

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

## Trust performance

### B4 Earnings per unit

30 June 2018 30 June 2017

|                                                                           |         |         |
|---------------------------------------------------------------------------|---------|---------|
| Basic and diluted earnings per unit (cents per unit)                      | 40.6    | 24.0    |
| Earnings used in calculating basic and diluted earnings per unit (\$'000) | 98,895  | 50,817  |
| Weighted average number of units ('000)                                   | 243,773 | 211,957 |

## C Trust's assets and liabilities

### C1 Trade and other receivables

|                           | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|---------------------------|------------------------|------------------------|
| <b>Current</b>            |                        |                        |
| Trade debtors             | 473                    | 1,721                  |
| Other current receivables | 3,133                  | 1,670                  |
|                           | <b>3,606</b>           | <b>3,391</b>           |

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

### Recognition and measurement

Trade receivables and other receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method, less an allowance for impairment. Due to the short-term nature of these financial rights, their carrying amounts are estimated to represent their fair values.

The carrying amounts of the Trust's assets, other than those recorded at fair value, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised directly in profit or loss.

### C2 Investment properties

|                                               | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|-----------------------------------------------|------------------------|------------------------|
| <b>Opening balance</b>                        | <b>886,150</b>         | 882,400                |
| Investment properties no longer held for sale | -                      | 22,800                 |
| Acquisitions of investment properties         | 82,894                 | -                      |
| Capital improvements and associated costs     | 4,416                  | 2,925                  |
| Total purchase costs                          | <b>87,310</b>          | 25,725                 |
| Gain on fair value                            | 50,416                 | 3,767                  |
| Change in deferred rent and lease incentives  | 2,705                  | 3,928                  |
| Disposed deferred rent and lease incentives   | 789                    | 181                    |
| Change in capitalised leasing fees            | 1,767                  | 187                    |
| Disposal at fair value                        | (30,100)               | (20,000)               |
| Rental guarantee cash received                | (37)                   | (38)                   |
| Closing gross balance                         | <b>999,000</b>         | 896,150                |
| Less: Investment properties held for sale     | -                      | (10,000)               |
| <b>Closing balance^</b>                       | <b>999,000</b>         | 886,150                |

^ The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$19.8 million (2017: \$15.4 million).

During the year, the Trust disposed of 6 Albert Street, Preston, VIC for a gross sale price of \$30.1 million.

## Trust's assets and liabilities

### C2 Investment properties (continued)

#### Leases as lessor

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

|                            | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|----------------------------|------------------------|------------------------|
| Less than one year         | 63,348                 | 62,316                 |
| Between one and five years | 180,540                | 164,105                |
| More than five years       | 91,111                 | 95,250                 |
|                            | <b>334,999</b>         | <b>321,671</b>         |

## Trust's assets and liabilities

### C2 Investment properties (continued)

| Property                                 | Fair value             |                        | Capitalisation rate |                   | Discount rate     |                   | Valuer      | Last independent valuation date |
|------------------------------------------|------------------------|------------------------|---------------------|-------------------|-------------------|-------------------|-------------|---------------------------------|
|                                          | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 | 30 June 2018<br>%   | 30 June 2017<br>% | 30 June 2018<br>% | 30 June 2017<br>% |             |                                 |
| 12-13 Dansu Ct, Hallam VIC               | 15,400                 | 14,300                 | 6.00%               | 7.50%             | 7.25%             | 8.25%             | Independent | Jun 2018                        |
| 14-17 Dansu Ct, Hallam VIC               | 18,600                 | 17,300                 | 6.75%               | 7.50%             | 7.50%             | 8.25%             | Director    | Oct 2017                        |
| 310 Spearwood Ave, Bibra Lake WA         | 54,100                 | 47,800                 | 7.50%               | 8.00%             | 7.75%             | 9.50%             | Director    | Oct 2017                        |
| 6 Albert St, Preston VIC                 | -                      | 26,200                 | -%                  | 7.75%             | -%                | 8.25%             |             |                                 |
| 102-128 Bridge Rd, Keysborough VIC       | 30,500                 | 30,900                 | 7.25%               | 7.75%             | 8.25%             | 8.25%             | Director    | Oct 2017                        |
| 500 Princes Hwy, Noble Park VIC          | 20,000                 | 20,300                 | 7.50%               | 8.00%             | 8.00%             | 8.25%             | Director    | Oct 2017                        |
| 8 Penelope Cres, Arndell Park NSW        | 17,100                 | 15,500                 | 6.25%               | 6.75%             | 7.50%             | 8.25%             | Director    | Oct 2017                        |
| 37-51 Scrivener St, Warwick Farm NSW     | 34,400                 | 29,700                 | 6.75%               | 7.50%             | 7.25%             | 8.50%             | Independent | Jun 2018                        |
| 54 Sawmill Cct, Hume ACT                 | 15,700                 | 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%             | 8.25%             | 10.00%            | Director    | Oct 2017                        |
| 22 Hawkins Cres, Bundamba QLD            | 46,500                 | 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            | 27,500                 | 22,600                 | 6.00%               | 6.75%             | 7.00%             | 8.25%             | Independent | Jun 2018                        |
| 69 Studley Ct, Derrimut VIC              | 19,250                 | 20,000                 | 6.75%               | 7.25%             | 7.75%             | 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           | 29,750                 | 28,000                 | 6.50%               | 7.25%             | 7.75%             | 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           | 27,000                 | 26,500                 | 6.50%               | 7.50%             | 7.25%             | 8.50%             | Independent | Jun 2018                        |
| 74-94 Newton Rd, Wetherill Park NSW      | 28,200                 | 25,000                 | 6.25%               | 6.75%             | 7.25%             | 7.75%             | Director    | Oct 2017                        |
| 75 Owen St, Glendenning NSW              | 7,600                  | 7,400                  | 6.50%               | 6.75%             | 7.25%             | 8.25%             | Director    | Oct 2017                        |
| 6 Macdonald Rd, Ingleburn NSW            | 21,700                 | 18,650                 | 6.00%               | 7.00%             | 7.25%             | 8.25%             | Independent | Jun 2018                        |
| 10 Williamson Rd, Ingleburn NSW          | 46,000                 | 36,650                 | 6.00%               | 7.25%             | 7.00%             | 8.50%             | Independent | Jun 2018                        |
| 12 Williamson Rd, Ingleburn NSW          | 36,200                 | 34,500                 | 6.75%               | 7.25%             | 8.00%             | 8.50%             | Director    | Oct 2017                        |
| 30 Clay Pl, Eastern Creek NSW            | 18,000                 | 16,300                 | 6.00%               | 6.50%             | 7.50%             | 8.25%             | Director    | Oct 2017                        |
| 92-98 Cosgrove Rd, Enfield NSW           | 42,250                 | 38,500                 | 6.50%               | 7.25%             | 7.50%             | 8.25%             | Independent | Jun 2018                        |
| 52-74 Quarry Rd, Erskine Park NSW        | 16,500                 | 15,400                 | 6.25%               | 6.75%             | 7.00%             | 8.25%             | Director    | Oct 2017                        |
| 29 Glendenning Rd, Glendenning NSW       | 42,000                 | 40,000                 | 6.00%               | 6.50%             | 7.25%             | 8.25%             | Director    | Oct 2017                        |
| 23 Selkis Rd, Bibra Lake WA              | 19,900                 | 19,750                 | 7.50%               | 7.50%             | 8.25%             | 8.50%             | Director    | Oct 2017                        |

## Trust's assets and liabilities

### C2 Investment properties (continued)

| Property                                               | Fair value             |                        | Capitalisation rate |                   | Discount rate     |                   | 30 June 2018<br>Valuer | Last independent<br>valuation date |
|--------------------------------------------------------|------------------------|------------------------|---------------------|-------------------|-------------------|-------------------|------------------------|------------------------------------|
|                                                        | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 | 30 June 2018<br>%   | 30 June 2017<br>% | 30 June 2018<br>% | 30 June 2017<br>% |                        |                                    |
| 324-332 Frankston-Dandenong Rd,<br>Dandenong South VIC | <b>30,400</b>          | 26,700                 | <b>6.25%</b>        | 7.50%             | <b>7.50%</b>      | 8.25%             | Independent            | Jun 2018                           |
| 99 Quill Way, Henderson WA                             | <b>13,500</b>          | 15,600                 | <b>7.75%</b>        | 8.25%             | <b>8.00%</b>      | 9.00%             | Director               | Oct 2017                           |
| 2 Keon Pde, Keon Park VIC                              | <b>25,000</b>          | 21,700                 | <b>6.00%</b>        | 7.00%             | <b>7.25%</b>      | 8.50%             | Independent            | Jun 2018                           |
| 49 Temple Dr, Thomastown VIC                           | <b>11,400</b>          | 12,400                 | <b>7.50%</b>        | 8.00%             | <b>7.75%</b>      | 8.75%             | Independent            | Jun 2018                           |
| 9 Fellowes Ct, Tullamarine VIC                         | <b>4,300</b>           | 4,200                  | <b>7.00%</b>        | 7.25%             | <b>7.00%</b>      | 7.75%             | Director               | Oct 2017                           |
| 207-219 Browns Rd, Noble Park VIC                      | <b>37,550</b>          | -                      | <b>6.75%</b>        | -%                | <b>7.75%</b>      | -%                | Director               | Oct 2017                           |
| Lot 14 Sudlow Rd, Bibra Lake WA                        | <b>32,550</b>          | -                      | <b>7.50%</b>        | -%                | <b>8.25%</b>      | -%                | Director               | Oct 2017                           |
| 92 Robinson Rd, Belmont WA                             | <b>11,250</b>          | -                      | <b>7.75%</b>        | -%                | <b>7.75%</b>      | -%                | Director               | Oct 2017                           |
| 43-45 Mica St, Carole Park QLD                         | <b>1,800</b>           | -                      | <b>6.00%</b>        | -%                | <b>-%</b>         | -%                | Director               | Nov 2017                           |
|                                                        | <b>999,000</b>         | 886,150                |                     |                   |                   |                   |                        |                                    |

During the 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. In addition, the Trust disposed of 6 Albert St, Preston, VIC for a gross sale price of \$30.1 million.

The Trust's weighted average capitalisation rate for the year is 6.76% (2017: 7.31%).

## Trust's assets and liabilities

### C2 Investment properties (continued)

#### Recognition and measurement

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

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

#### Valuation techniques and significant unobservable inputs

The fair value of the investment properties were determined by the directors of the Responsible Entity or by an external, independent valuation company having an appropriate recognised professional qualification and recent experience in the location and category of the properties being valued. Fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations were prepared by considering the following valuation methodologies:

- Capitalisation Approach: the annual net rental income is capitalised at an appropriate market yield to arrive at the property's market value. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.
- Discounted Cash Flow Approach: this approach incorporates the estimation of future annual cash flows over a 10 year period by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate to derive a net present value for the property.
- Direct Comparison Approach: this approach identifies comparable sales on a dollar per square metre of lettable area basis and compares the equivalent rates to the property being valued to determine the property's market value.

The valuations reflect, when appropriate; the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness; the allocation of maintenance and insurance responsibilities between the lessor and lessee; and the remaining economic life of the property. It has been assumed that whenever rent reviews or lease renewals are pending with anticipated reversionary increases, all notices and, where appropriate, counter notices have been served validly and within the appropriate time.

#### Fair value measurement

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

| Significant unobservable inputs | Fair value measurement sensitivity to significant increase in input | Fair value measurement sensitivity to significant decrease in input | Range of inputs |
|---------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|-----------------|
| Market rent                     | Increase                                                            | Decrease                                                            | \$29 - \$185    |
| Capitalisation rate             | Decrease                                                            | Increase                                                            | 6.00% - 7.75%   |
| Discount Rate                   | Decrease                                                            | Increase                                                            | 7.25% - 8.50%   |

The above unobservable inputs are considered significant Level 3 inputs.

## Trust's assets and liabilities

### C3 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.

|                                | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'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 the sale was completed on 13 July 2018. Refer to Note E4 for details on this sale.

#### Recognition and measurement

Investment properties are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. These investment properties are carried at fair value. The valuation techniques to determine the fair value of investment properties held for sale are same as the valuation techniques of investment properties described in Note C2.

Where sale completion is delayed by events outside the control of the Trust, and the sale is not completed within one year from the date of classification, the Trust may still classify the asset as held for sale. In this circumstance, there must be sufficient evidence the Trust is committed to sell the asset, and as such obtain a firm purchase commitment from the buyer along with a favourable resolution for the Trust, for the delay. A favourable resolution for the Trust would be the right to receive rental income for the period, up until the date any sale was completed.

### C4 Investments held in listed trusts

On 8 September 2017, the Trust acquired 46,543,981 units of Propertylink Group ('PLG') at \$0.95 per unit.

|                                                 | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|-------------------------------------------------|------------------------|------------------------|
| <b>Current</b>                                  |                        |                        |
| <b>Investment in Propertylink Group ('PLG')</b> |                        |                        |
| Acquisitions (including transaction costs)      | 44,402                 | -                      |
| Gain on fair value                              | 4,935                  | -                      |
| <b>Closing balance</b>                          | <u>49,337</u>          | <u>-</u>               |

#### Recognition and measurement

A financial asset is designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Trust's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and AASB 139 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as fair value through profit and loss.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. Fair value is determined in the manner described in Note E2.

The Trust has divested of PLG units post-reporting date. Refer to Note E4 for details on this divestment.

## Trust's assets and liabilities

### C5 Intangibles

#### Goodwill

|                    | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|--------------------|------------------------|------------------------|
| Goodwill - at cost | 10,501                 | 10,501                 |
|                    | <u>10,501</u>          | <u>10,501</u>          |

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

Based on impairment testing performed as at 30 June 2018 the fair value of the portfolio less costs to sell calculation, which is based on market capitalisation plus a portfolio premium, supports the recoverability of goodwill. Based on this testing recoverable amount exceeds the carrying amount by \$10.3 million. A change in portfolio premium or market capitalisation exceeding this amount may lead to the carrying amount of goodwill exceeding its recoverable amount. At balance date and immediately after balance date the current market price of the Trust units do not indicate a permanent structural decline in the fair valuation of equity below the net assets of the Trust. No intangibles were impaired in 2018 (2017: nil).

### C6 Trade and other payables

|                                      | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|--------------------------------------|------------------------|------------------------|
| <b>Current</b>                       |                        |                        |
| Trade creditors and expenses payable | 2,279                  | 3,030                  |
| Other current creditors and accruals | 7,087                  | 3,837                  |
| Distributions payable                | 12,045                 | 10,280                 |
|                                      | <u>21,411</u>          | <u>17,147</u>          |

Refer to Note D2 for amounts payable to related parties.

#### Recognition and measurement

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

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

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

## Trust's assets and liabilities

### C7 Borrowings

|                    | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|--------------------|------------------------|------------------------|
| <b>Current</b>     |                        |                        |
| Secured loan       | <u>135,000</u>         | <u>55,000</u>          |
|                    | <b>135,000</b>         | <b>55,000</b>          |
| <b>Non-current</b> |                        |                        |
| Secured loan       | <u>294,752</u>         | <u>342,252</u>         |
| Borrowing costs    | <u>(1,765)</u>         | <u>(2,294)</u>         |
|                    | <b>292,987</b>         | <b>339,958</b>         |

At 30 June 2018, the Trust had the following secured debt facilities:

|                                                  |                  |                  |
|--------------------------------------------------|------------------|------------------|
| Total facilities - bank loans                    | <b>460,000</b>   | 450,000          |
| Facilities used at reporting date - bank loans   | <u>(429,752)</u> | <u>(397,252)</u> |
| Facilities unused at reporting date - bank loans | <b>30,248</b>    | 52,748           |

As at 30 June 2018, the Trust had \$190.0 million (2017: \$190.0 million) of interest rate swaps hedged against its drawn debt. Refer to Note C8 for further details on interest rate swap contracts held at, and contracts executed subsequent to, 30 June 2018. In addition to these, \$150.0 million of the Trusts debt facilities are on a fixed interest basis taking the total fixed rate debt to \$340.0 million.

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

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

#### Recognition and measurement

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

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

## Trust's assets and liabilities

### C8 Derivatives

#### Interest rate swap contracts

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

| Type of contract    | Maturity date | Contracted fixed interest rate | Notional amount of contract \$'000 | Fair value of assets \$'000 | Fair value of liabilities \$'000 |
|---------------------|---------------|--------------------------------|------------------------------------|-----------------------------|----------------------------------|
| <b>30 June 2018</b> |               |                                |                                    |                             |                                  |
| Interest rate swap  | 12 Feb 19     | 2.01%                          | 80,000                             | 14                          | -                                |
| Interest rate swap  | 16 Jun 20     | 2.10%                          | 55,000                             | 37                          | -                                |
| Interest rate swap  | 16 Jun 22     | 2.30%                          | 55,000                             | -                           | (11)                             |
|                     |               |                                | <b>190,000</b>                     | <b>51</b>                   | <b>(11)</b>                      |
| <b>30 June 2017</b> |               |                                |                                    |                             |                                  |
| Interest rate swap  | 12 Feb 18     | 2.18%                          | 80,000                             | -                           | (219)                            |
| Interest rate swap  | 16 Jun 20     | 2.10%                          | 55,000                             | -                           | (26)                             |
| Interest rate swap  | 16 Jun 22     | 2.30%                          | 55,000                             | -                           | (169)                            |
|                     |               |                                | <b>190,000</b>                     | <b>-</b>                    | <b>(414)</b>                     |

#### Recognition and measurement

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

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

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

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

### C9 Issued capital

|                                        | 30 June 2018   |                | 30 June 2017   |                |
|----------------------------------------|----------------|----------------|----------------|----------------|
|                                        | Units '000     | \$'000         | Units '000     | \$'000         |
| Opening balance                        | 211,957        | 538,551        | 211,957        | 538,551        |
| Units issued                           | 35,932         | 88,034         | -              | -              |
| Distribution reinvestment plan ('DRP') | 468            | 1,158          | -              | -              |
| Equity raising costs                   | -              | (1,426)        | -              | -              |
| <b>Closing balance</b>                 | <b>248,357</b> | <b>626,317</b> | <b>211,957</b> | <b>538,551</b> |

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

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

## Trust's assets and liabilities

### C10 Contingent assets, liabilities and commitments

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 30 June 2018.

### C11 Cash and cash equivalents

|                           | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|---------------------------|------------------------|------------------------|
| Cash and cash equivalents | 21,177                 | 8,189                  |
|                           | <u>21,177</u>          | <u>8,189</u>           |

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

|                                                     |               |               |
|-----------------------------------------------------|---------------|---------------|
| <b>Net profit for the year</b>                      | <b>98,895</b> | <b>50,817</b> |
| <b>Adjustments:</b>                                 |               |               |
| Net gain on fair value of investment properties     | (50,416)      | (3,767)       |
| Net gain on fair value of listed investments        | (4,935)       | -             |
| Gain on fair value of derivatives                   | (453)         | (3,789)       |
| Disposed deferred rent and lease incentives         | -             | (181)         |
| Change in deferred rent and lease incentives        | 1,609         | (1,541)       |
| Change in capitalised leasing fees                  | 890           | 126           |
| Borrowing cost amortisation                         | 760           | 1,329         |
| <b>Changes in operating assets and liabilities:</b> |               |               |
| Increase in receivables                             | (499)         | (353)         |
| (Increase)/decrease in other assets                 | (1,750)       | 77            |
| Increase/(decrease) in payables                     | 351           | (521)         |
| <b>Net cash generated by operating activities</b>   | <b>44,452</b> | <b>42,197</b> |

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

## D Trust structure

### D1 Interest in material subsidiaries

#### Recognition and measurement

##### *(i) Business combination*

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

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

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

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

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

##### *(ii) Basis of consolidation*

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

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

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

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

##### *(iii) Subsidiaries*

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

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

## Trust structure

### D1 Interest in material subsidiaries (continued)

#### Recognition and measurement (continued)

##### (iii) Subsidiaries (continued)

| Name of entity                      | Country of domicile | Class of units | Equity interest   |                   |
|-------------------------------------|---------------------|----------------|-------------------|-------------------|
|                                     |                     |                | 30 June 2018<br>% | 30 June 2017<br>% |
| BIPT Preston No. 1 Sub Trust        | Australia           | Ordinary       | 100               | 100               |
| BIPT Marple Ave Holding Trust       | Australia           | Ordinary       | 100               | 100               |
| BIPT Marple Ave Sub Trust           | Australia           | Ordinary       | 100               | 100               |
| BIPT Clarinda Rd Holding Trust      | Australia           | Ordinary       | 100               | 100               |
| BIPT Clarinda Rd Sub Trust          | Australia           | Ordinary       | 100               | 100               |
| BIPT Noble Park Holding Trust       | Australia           | Ordinary       | 100               | 100               |
| BIPT Noble Park Sub Trust           | Australia           | Ordinary       | 100               | 100               |
| BIPT Scrivener Street Holding Trust | Australia           | Ordinary       | 100               | 100               |
| BIPT Scrivener Street Sub Trust     | Australia           | Ordinary       | 100               | 100               |
| Australian Industrial REIT          | Australia           | Ordinary       | 100               | 100               |
| AIR Somerton Trust                  | Australia           | Ordinary       | 100               | 100               |
| AIR Wetherill Park Trust            | Australia           | Ordinary       | 100               | 100               |
| AIR Glendening Trust                | Australia           | Ordinary       | 100               | 100               |
| AIR Ingleburn Trust                 | Australia           | Ordinary       | 100               | 100               |
| AIR Ingleburn 2 Trust               | Australia           | Ordinary       | 100               | 100               |
| AIR Ingleburn 3 Trust               | Australia           | Ordinary       | 100               | 100               |
| AIR Eastern Creek Trust             | Australia           | Ordinary       | 100               | 100               |
| AIR Enfield Trust                   | Australia           | Ordinary       | 100               | 100               |
| AIR Tullamarine Trust               | Australia           | Ordinary       | 100               | 100               |
| AIR Thomastown Trust                | Australia           | Ordinary       | 100               | 100               |
| AIR Henderson Trust                 | Australia           | Ordinary       | 100               | 100               |
| AIR Dandenong South Trust           | Australia           | Ordinary       | 100               | 100               |
| AIR Bibra Lake Trust                | Australia           | Ordinary       | 100               | 100               |
| AIR Glendening 2 Trust              | Australia           | Ordinary       | 100               | 100               |
| AIR Erskine Park Trust              | Australia           | Ordinary       | 100               | 100               |
| AIR ST1 Trust                       | Australia           | Ordinary       | 100               | 100               |

### 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 of that entity and their names are:

Peter Done  
 Darren Collins  
 Matthew Hardy  
 Jason Huljich      Resigned 01 Oct 2017  
 Nicholas Collishaw  
 Roger Dobson

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

#### Key management personnel loan disclosures

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

#### Responsible entity fees and other transactions

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

## Trust structure

### D2 Related parties (continued)

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

Custodian fees are paid to the custodians. Custody fees paid to Centuria Property Funds No. 2 Limited are calculated in relation to some of the Trust's assets and in accordance with the constitution at a rate of 0.05% of the Trust's gross assets.

At reporting date an amount of \$925,304 (2017: \$494,272) owing to the Responsible Entity and its related parties was included in trade and other payables. The payables are non-interest bearing with payment terms and conditions consistent with normal commercial practices.

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

|                                 | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|---------------------------------|------------------------|------------------------|
| Leasing fees                    | 520                    | 1                      |
| Management fees                 | 6,233                  | 5,571                  |
| Custodian fees                  | 452                    | 397                    |
| Property management fees        | 697                    | 114                    |
| Facility management fees        | 298                    | 19                     |
| Due diligence acquisition costs | 100                    | -                      |
| Project management fees         | 96                     | 8                      |
|                                 | <u>8,396</u>           | <u>6,110</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 30 June 2018, the following related parties of the Responsible Entity hold units in the Trust:

|                                        | Closing<br>units held | Closing<br>interest held |
|----------------------------------------|-----------------------|--------------------------|
| <b>30 June 2018</b>                    |                       |                          |
| Centuria Capital No. 2 Industrial Fund | 48,372,668            | 19.48%                   |
| Centuria Growth Bond Fund              | 650,000               | 0.26%                    |
| Centuria Balanced Fund                 | 350,000               | 0.14%                    |
|                                        | <u>49,372,668</u>     | <u>19.88%</u>            |
| <b>30 June 2017</b>                    |                       |                          |
| Centuria Property Funds No. 2 Limited  | 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 year end.

### D3 Parent entity disclosures

The table below represents the stand alone financial position and performance of Centuria Industrial REIT and does not include the financial position and performance of its subsidiaries. Accordingly, the amounts reflected above may be different from the consolidated financial statements.

## Trust structure

### D3 Parent entity disclosures (continued)

|                                                | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|------------------------------------------------|------------------------|------------------------|
| <b>Financial position</b>                      |                        |                        |
| <b>Assets</b>                                  |                        |                        |
| Current assets                                 | 21,290                 | 8,420                  |
| Non-current assets                             | 959,741                | 837,411                |
| <b>Total assets</b>                            | <b>981,031</b>         | <b>845,831</b>         |
| <b>Liabilities</b>                             |                        |                        |
| Current liabilities                            | 16,627                 | 14,377                 |
| Non-current liabilities                        | 427,947                | 395,372                |
| <b>Total liabilities</b>                       | <b>444,574</b>         | <b>409,749</b>         |
| <b>Equity</b>                                  |                        |                        |
| Issued capital                                 | 626,317                | 538,550                |
| Retained earnings                              | (89,860)               | (102,468)              |
| <b>Total equity</b>                            | <b>536,457</b>         | <b>436,082</b>         |
| <b>Financial performance</b>                   |                        |                        |
| Profit for the year                            | 60,742                 | 29,159                 |
| <b>Total comprehensive income for the year</b> | <b>60,742</b>          | <b>29,159</b>          |

## E Other notes

### E1 Auditor's remuneration

On 21 Dec 2017, the Responsible Entity appointed KPMG as auditor of the Trust. This appointment follows the resignation of Ernst & Young.

|                                              | 30 June 2018<br>\$'000 | 30 June 2017<br>\$'000 |
|----------------------------------------------|------------------------|------------------------|
| <b>KPMG:</b>                                 |                        |                        |
| Audit and review of financials               | 129                    | -                      |
| Property due diligence services & advice     | 108                    | -                      |
|                                              | <u>237</u>             | <u>-</u>               |
| <b>EY:</b>                                   |                        |                        |
| Audit and review of financials               | -                      | 90                     |
| Taxation and property due diligence services | -                      | 50                     |
| Property due diligence services & advice     | -                      | 6                      |
|                                              | <u>-</u>               | <u>146</u>             |

### E2 Financial instruments

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

#### Fair value

|                                        | Measurement    | Fair value hierarchy | Carrying amount<br>\$'000 | Fair value<br>\$'000 |
|----------------------------------------|----------------|----------------------|---------------------------|----------------------|
| <b>30 June 2018</b>                    |                |                      |                           |                      |
| <b>Financial assets</b>                |                |                      |                           |                      |
| Receivables                            | Amortised Cost | Not applicable       | 3,606                     | 3,606                |
| Investment in listed entity            | Fair Value     | Level 1              | 49,337                    | 49,337               |
| Interest rate swaps                    | Fair Value     | Level 2              | 51                        | 51                   |
|                                        |                |                      | <u>52,994</u>             | <u>52,994</u>        |
| <b>Financial liabilities</b>           |                |                      |                           |                      |
| Payables                               | Amortised Cost | Not applicable       | 21,411                    | 21,411               |
| Borrowings (excluding borrowing costs) | Amortised Cost | Not applicable       | 429,752                   | 429,752              |
| Interest rate swaps                    | Fair Value     | Level 2              | 11                        | 11                   |
|                                        |                |                      | <u>451,174</u>            | <u>451,174</u>       |
| <b>30 June 2017</b>                    |                |                      |                           |                      |
| <b>Financial assets</b>                |                |                      |                           |                      |
| Receivables                            | Amortised Cost | Not applicable       | 3,391                     | 3,391                |
|                                        |                |                      | <u>3,391</u>              | <u>3,391</u>         |
| <b>Financial liabilities</b>           |                |                      |                           |                      |
| Payables                               | Amortised Cost | Not applicable       | 17,147                    | 17,147               |
| Borrowings (excluding borrowing costs) | Amortised Cost | Not applicable       | 397,252                   | 397,252              |
| Interest rate swaps                    | Fair Value     | Level 2              | 414                       | 414                  |
|                                        |                |                      | <u>414,813</u>            | <u>414,813</u>       |

## E2 Financial instruments (continued)

### Fair value (continued)

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 statements approximates their fair value.

#### (i) Valuation techniques

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

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

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

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

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

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

#### (ii) 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<br>\$'000 | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 |
|-------------------------------------------------|-----------------|-------------------|-------------------|-------------------|
| <b>30 June 2018</b>                             |                 |                   |                   |                   |
| <b>Financial assets held at fair value</b>      |                 |                   |                   |                   |
| Investment in listed equity                     | 49,337          | 49,337            | -                 | -                 |
| Interest rate swaps                             | 51              | -                 | 51                | -                 |
|                                                 | <b>49,388</b>   | <b>49,337</b>     | <b>51</b>         | <b>-</b>          |
| <b>Financial liabilities held at fair value</b> |                 |                   |                   |                   |
| Interest rate swaps                             | 11              | -                 | 11                | -                 |
|                                                 | <b>11</b>       | <b>-</b>          | <b>11</b>         | <b>-</b>          |
| <b>30 June 2017</b>                             |                 |                   |                   |                   |
| <b>Financial liabilities held at fair value</b> |                 |                   |                   |                   |
| Interest rate swaps                             | 414             | -                 | 414               | -                 |
|                                                 | <b>414</b>      | <b>-</b>          | <b>414</b>        | <b>-</b>          |

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

## E2 Financial instruments (continued)

### Fair value (continued)

#### (ii) Fair value hierarchy (continued)

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.

### Capital management

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

The risk associated with meeting redemption requests is minimal as the Responsible Entity has discretion in approving redemptions.

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

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

### Financial risk management objectives

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

### Market risk

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

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

#### (i) Interest rate risk management

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

| Note                                   | 30 Jun 2018             |                | 30 Jun 2017             |                |
|----------------------------------------|-------------------------|----------------|-------------------------|----------------|
|                                        | Effective interest rate | Total \$'000   | Effective interest rate | Total \$'000   |
| <b>Financial assets</b>                |                         |                |                         |                |
| Cash and cash equivalents              | 0.80%                   | 21,177         | 1.00%                   | 8,189          |
| Interest rate swaps                    | 2.12%                   | 51             | -                       | -              |
|                                        |                         | <u>21,228</u>  |                         | <u>8,189</u>   |
| <b>Financial liabilities</b>           |                         |                |                         |                |
| Borrowings (excluding borrowing costs) | 3.54%                   | 429,752        | 3.89%                   | 397,252        |
| Interest rate swaps                    | 2.12%                   | 11             | 2.19%                   | 414            |
|                                        |                         | <u>429,763</u> |                         | <u>397,666</u> |

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

**E2 Financial instruments (continued)****Market risk (continued)****(i) Interest rate risk management (continued)**

At reporting date, if variable interest rates had been 100 (2017: 100) basis points ('bps') higher or lower and all other variables were held constant, the impact to the Trust would have been as follows:

|                    | Variable<br>+ / - | Sensitivity impact      |                         |
|--------------------|-------------------|-------------------------|-------------------------|
|                    |                   | Rate increase<br>\$'000 | Rate decrease<br>\$'000 |
| <b>30 Jun 2018</b> |                   |                         |                         |
| Net (loss)/profit  | 100 bps           | (1,574)                 | 1,574                   |
|                    |                   | (1,574)                 | 1,574                   |
| <b>30 Jun 2017</b> |                   |                         |                         |
| Net (loss)/profit  | 100 bps           | (1,991)                 | 1,991                   |
|                    |                   | (1,991)                 | 1,991                   |

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

**(ii) Other market price risk**

The Trust is exposed to equity price risk, which arises from investment in listed property funds, PLG. Risk management is carried out by the Responsible Entity and the primary goal of the Trust's investment strategy is to maximise investment returns.

The carrying value of investment at fair value through profit or loss is measured with reference to the investment's unit prices. At the reporting date, the exposure to listed equity securities at fair value was \$49.3 million. An increase of 10% in the value of PLG unit would increase the equity and profit and loss for the Trust by \$4.9m and a decrease of 10% will reduce the equity and profit and loss for the Trust by \$4.9m.

The Trust's sensitivity to market price is after taking into account the impact of unit price changes on the investments fair values. The methods and assumptions used to prepare the sensitivity analysis have not changed during the year.

**Credit risk**

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

At 30 June 2018, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2018. Refer to Note C1 for details of trade receivables.

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

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

**Liquidity risk**

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

**E2 Financial instruments (continued)****Liquidity risk (continued)**

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

|                                  | Effective<br>interest rate | Total<br>principal and<br>interest<br>\$'000 | Less than 1<br>year<br>\$'000 | 1 to 5 years<br>\$'000 | 5+ years<br>\$'000 |
|----------------------------------|----------------------------|----------------------------------------------|-------------------------------|------------------------|--------------------|
| <b>30 June 2018</b>              |                            |                                              |                               |                        |                    |
| Trade and other payables         | -%                         | 21,411                                       | 21,411                        | -                      | -                  |
| Borrowings                       | 3.54%                      | 473,571                                      | 149,654                       | 323,917                | -                  |
| Derivative financial instruments | 2.12%                      | 52                                           | (155)                         | 207                    | -                  |
|                                  |                            | <b>495,034</b>                               | <b>170,910</b>                | <b>324,124</b>         | <b>-</b>           |
| <b>30 June 2017</b>              |                            |                                              |                               |                        |                    |
| Trade and other payables         | -%                         | 13,835                                       | 13,835                        | -                      | -                  |
| Borrowings                       | 3.89%                      | 449,572                                      | 69,464                        | 380,108                | -                  |
| Derivative financial instruments | 2.19%                      | 438                                          | 269                           | 169                    | -                  |
|                                  |                            | <b>463,845</b>                               | <b>83,568</b>                 | <b>380,277</b>         | <b>-</b>           |

The principal amounts included in the above borrowings is \$428.0 million (2017: \$395.0 million).

**E3 New accounting standards and interpretations****Adoption of new and revised accounting standards**

In the current year, the Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting year. New and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Trust include:

- AASB 2016-2 'Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107'. Effective for annual reporting periods beginning on or after 1 January 2017.

The adoption of these new and revised Standards and Interpretations has not had any significant impact on the disclosures or amounts reported in these financial statements.

**New standards and interpretations not yet adopted**

AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* are new standards which are effective for annual periods beginning after 1 July 2017. Whilst earlier application was permitted, the Trust has not early adopted the new or amended standards in preparing these consolidated financial statements.

The Trust is required to adopt AASB 9 *Financial Instruments*, AASB 15 *Revenue from Contracts with Customers* and AASB 16 *Leases* from 1 July 2018 and has assessed the estimated impact that the initial application of these standards will have on its consolidated financial statements.

Based on the Trust's assessment, the Trust does not believe that these new accounting standards will have a material impact on the Trust's equity as at 1 July 2018. This impact is assessed based on analysis performed to date. The actual impacts of adopting the standard at 1 July 2018 may vary because the new accounting policies are subject to change until the Trust presents its first financial statements at the date of initial application.

### E3 New accounting standards and interpretations (continued)

#### New standards and interpretations not yet adopted (continued)

##### (i) AASB 9 Financial Instruments

AASB 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

##### (a) Classification - Financial assets

AASB 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

AASB 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL). The standard eliminates the existing AASB 139 categories of held to maturity, loans and receivables and available for sale.

Based on its assessment, the Trust does not believe that the new classification requirements will have a material impact on its accounting for all receivables and financial assets (which are already carried at fair value).

##### (b) Impairment - Receivables

AASB 9 replaces the 'incurred loss' model in AASB 139 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to the Trust's receivables which continue to be measured at amortised cost.

Based on its assessment, the Trust does not believe that the new impairment model will have a material impact on its equity upon transition as at 1 July 2018.

##### (c) Classification - Financial liabilities

There will be no impact on the Trust's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Trust does not have any such liabilities. The derecognition rules have been transferred from AASB 1139 *Financial Instruments: Recognition and Measurement* and have not been changed.

##### (d) Hedge accounting

The new hedge accounting rules generally allow for more hedge relationships to be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Trust does not expect a significant impact as a result of the hedging changes on transition on 1 July 2018.

##### (e) Transition

Changes in accounting policies resulting from the adoption of AASB 9 will generally be applied retrospectively, however as there are no expected material impact on carrying amounts of financial assets and financial liabilities, there will be no transitional implications on the Trust's equity at 1 July 2018 nor its comparatives.

##### (ii) AASB 15 Revenue from Contracts with Customers

The new revenue standard, AASB 15 *Revenue* from customers applies to all contracts with customers to deliver goods or services as part of the entity's ordinary course of business excluding insurance contracts, financial instruments and leases which are addressed by other standards. It replaces existing revenue recognition guidance, including AASB 118 *Revenue* and AASB 111 *Construction Contracts*.

AASB 15 replaces the considerations of risks and rewards under AASB 118 to the concept of when control passes to the customer as the trigger point for the recognition of revenue.

Rental income, interest income, distribution and dividend income and fair value movements in investment properties are excluded from the scope of this standard.

Based on its assessment, the Trust believes that the new standard has no impact on the Trust's equity as at 1 July 2018.

### E3 New accounting standards and interpretations (continued)

#### New standards and interpretations not yet adopted (continued)

##### (iii) AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Trust's operating leases. As at the reporting date, the Trust does not have any non-cancellable operating lease commitments. Accordingly, the standard has no impact to the Trust's profit and classification of cash flows.

Mandatory for financial years commencing on or after 1 January 2019, but available for early adoption. The Trust will adopt this standard at the year ending 30 June 2020.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### E4 Events subsequent to reporting date

On the 13 July 2018, the Trust settled on the sale of 39-45 Wedgewood Road, Hallam, VIC for \$10.0 million.

On 20 July 2018, the Trust entered into an unconditional contract and paid a 5% deposit for the acquisition of 616 Boundary Street, Richlands QLD for a purchase price of \$15.9 million. The acquisition was settled on 20 August 2018.

The Trust has divested its entire holding in Propertylink Group ('PLG') on 9 Aug 2018 at a price of \$1.01 per unit. The proceeds after transaction costs were \$46.3 million.

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

### E5 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

## Directors' declaration

### For the year ended 30 June 2018

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

- (a) the consolidated financial statements and notes set out on pages 7 to 37 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



Peter Done  
Director



Matthew Hardy  
Director

Sydney  
21 August 2018



# Independent Auditor's Report

To the unitholders of Centuria Industrial REIT

## Opinion

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

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

- giving a true and fair view of the **Group's** financial position as at 30 June 2018 and of their financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

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

## Basis for opinion

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

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

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

## Key Audit Matters

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

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Valuation of Investment Properties (\$999.0m) and Investment Properties Held for Sale (\$10.0m)

Refer to Notes C2 and C3 to the Financial Report.

### The key audit matter

The valuation of investment properties and investment properties held for sale is a key audit matter as they are significant in value (being 92% of total assets) and contain assumptions with estimation uncertainty.

These estimates lead to additional audit effort due to differing assumptions based on asset classes, geographies and characteristics of individual investment properties.

The Group's policy is investment properties and investment properties held for sale are valued at fair value and the fair value is determined by the Group using internal methodologies and through the use of external valuation experts.

We focussed on the following significant assumptions contained in the Group's valuation methodology for investment properties:

- capitalisation rates;
- market rental yield;
- weighted average lease expiry and vacancy levels;
- capital adjustments; and
- leasing incentives.

### How the matter was addressed in our audit

Our procedures included:

- Understanding the Group's process regarding the valuation of investment properties;
- Assessing the methodologies used in the valuations of investment properties for consistency with accounting standards and Group policies;
- Assessing the scope, competence and objectivity of external experts engaged by the Group and internal valuers;
- Worked with our real estate valuation specialists and read published reports and industry commentary to gain an understanding of prevailing market conditions;
- On a portfolio basis, taking into account the asset classes, geographies and characteristics of individual investment properties, challenged, with reference to published reports or industry commentary, significant assumptions including: capitalisation rates, market rental yields, weighted average lease expiry and vacancy levels, capital adjustments and assessed the difference between the capitalisation rate and discounted cash-flow valuation approaches.
- On a sample basis, we assessed the appropriateness of specific valuation assumptions through comparison to market analysis published by industry experts, recent market transactions, inquiries with the Group and historical performance of the investment properties.
- For one property, where the valuation was based on a contractual sales price, we compared the value to the signed sales contract.



## Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report, Corporate Governance Statement and Additional ASX Information. The Fund Update, Strategies and Objectives are expected to be made available to us after the date of the Auditor's Report.

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

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

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

## Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

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

## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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



A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our Auditor's Report.

A stylized, handwritten signature of the KPMG firm, rendered in black ink.

KPMG

A stylized, handwritten signature of Nigel Virgo, rendered in black ink.

Nigel Virgo

*Partner*

Sydney

21 August 2018

## **Corporate Governance Statement**

The corporate governance statement for the Trust is available on the Centuria website at <http://www.centuria.com.au/listed-property/corporate-governance>.

## Additional stock exchange information

As at 15 August 2018

### Distribution of units

| Holding          | Number of units    | Number of holders | Percentage of total (%) |
|------------------|--------------------|-------------------|-------------------------|
| 1 - 1000         | 158,406            | 400               | 0.06                    |
| 1,001 - 5,000    | 7,576,446          | 2,245             | 3.05                    |
| 5,001 - 10,000   | 16,692,814         | 2,194             | 6.72                    |
| 10,001 - 100,000 | 63,130,054         | 2,813             | 25.42                   |
| 100,001 and over | 160,799,446        | 83                | 64.75                   |
|                  | <b>248,357,166</b> | <b>7,735</b>      | <b>100.00</b>           |

### Substantial unitholders

|                        | Number of units   | Percentage of total (%) |
|------------------------|-------------------|-------------------------|
| CENTURIA CAPITAL GROUP | 49,372,668        | 19.88                   |
| LEDERER GROUP          | 23,265,305        | 9.37                    |
| THE VANGUARD GROUP     | 14,012,713        | 5.64                    |
| <b>Total</b>           | <b>86,650,686</b> | <b>34.89</b>            |

### Voting rights

All units carry one vote per unit without restriction.

### Top 20 unitholders

|                                                                   | Number of units    | Percentage of total (%) |
|-------------------------------------------------------------------|--------------------|-------------------------|
| CENTURIA INVESTMENT HOLDINGS PTY LIMITED <CC2IF A/C>              | 48,372,668         | 19.48                   |
| CITICORP NOMINEES PTY LIMITED                                     | 33,751,363         | 13.59                   |
| J P MORGAN NOMINEES AUSTRALIA LIMITED                             | 25,781,818         | 10.38                   |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED                         | 22,268,740         | 8.97                    |
| NATIONAL NOMINEES LIMITED                                         | 8,861,746          | 3.57                    |
| AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>               | 1,597,646          | 0.64                    |
| MISS YVONNE CATHERINE LYNCH                                       | 1,050,000          | 0.42                    |
| BNP PARIBAS NOMS (NZ) LTD <DRP>                                   | 1,023,505          | 0.41                    |
| HORRIE PTY LTD <HORRIE SUPERANNUATION A/C>                        | 981,122            | 0.40                    |
| STANBOX NO 2 PTY LTD                                              | 764,000            | 0.31                    |
| BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>             | 679,359            | 0.27                    |
| ECAPITAL NOMINEES PTY LIMITED <ACCUMULATION A/C>                  | 643,361            | 0.26                    |
| SANDHURST TRUSTEES LTD <SISF A/C>                                 | 600,000            | 0.24                    |
| NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C> | 526,397            | 0.21                    |
| BNP PARIBAS NOMS PTY LTD <DRP>                                    | 507,903            | 0.21                    |
| HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2                 | 507,235            | 0.20                    |
| NEWECONOMY COM AU NOMINEES PTY LIMITED <900 ACCOUNT>              | 482,744            | 0.19                    |
| HILLMORTON CUSTODIANS PTY LTD <THE LENNOX UNIT A/C>               | 411,246            | 0.17                    |
| NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>                 | 410,815            | 0.17                    |
| BUTTONWOOD NOMINEES PTY LTD                                       | 403,411            | 0.16                    |
|                                                                   | <b>149,625,079</b> | <b>60.25</b>            |