

Centuria

**Centuria Industrial REIT
and its subsidiaries**

ARSN 099 680 252

**Annual Financial Report
For the year ended 30 June 2024**

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

Centuria Industrial REIT

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For the year ended 30 June 2024

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Directors' report

For the year ended 30 June 2024

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 CIP and its subsidiaries (the Trust) for the year ended 30 June 2024 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	Directorship of other listed companies
Roger Dobson	01 Oct 2017	
Peter Done	26 Jun 2017	Centuria Capital Limited*
Natalie Collins	29 Jul 2020	
Jennifer Cook	01 Jul 2021	

* Resigned on 17 November 2023.

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

Name	Appointed
Anna Kovarik	05 Jul 2018

Refer to Note D2 of the annual financial report for directors' unit holdings in the Trust.

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

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

Principal activities

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

The principal activity of the Trust is investment in industrial property within Australia. There have been no significant 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 statutory profit from continuing operations for the year ended 30 June 2024 was \$48,149,000 (30 June 2023: \$76,608,000 loss).

As at 30 June 2024, the Trust's Net Tangible Assets (NTA) was \$3.87 per unit, representing a 9.0 cents per unit (cpu) decrease from the prior year (30 June 2023: \$3.96).

Funds From Operations (FFO) for the year ended 30 June 2024 was \$109.3 million (30 June 2023: \$108.1 million). This was 1.1% increase compared to the previous year.

Review of operations (continued)

Results (continued)

The following table provides a reconciliation from the Consolidated statement of profit or loss and other comprehensive income to the funds from operations for the year:

	30 June 2024 \$'000	30 June 2023 \$'000
Net profit/(loss) for the year	48,149	(76,608)
Adjustments:		
Net loss on fair value of investment properties	37,880	183,300
Straight-lining of rental income	(6,179)	(12,410)
Loss/(gain) on fair value of derivative financial instruments	12,961	(413)
Rent free and abatement	12,190	10,308
Amortisation of incentives and leasing fees	4,322	5,074
Transaction costs	122	459
Adjustment for non FFO equity accounted items	(187)	(1,623)
Funds from operations	109,258	108,087

Investment property valuations

The Trust has externally revalued 50 investment properties as at 30 June 2024. The total value of the Trust's portfolio including investment properties held for sale and investment properties in the equity accounted investments as at 30 June 2024 was \$3,834.2 million (30 June 2023: \$3,838.7 million), a decrease of 0.1% for the year. The weighted average capitalisation rate for the portfolio softened 55 basis points to 5.81% as at 30 June 2024 (30 June 2023: 5.26%).

Leasing and occupancy

The Trust secured 301,583 square metres (sqm) of leases across 39 transactions for the year ended 30 June 2024. This represented 22% of the portfolio's gross lettable area.

At 30 June 2024, the Trust's portfolio was 97.1% occupied and the remaining lease expiry for the upcoming financial year ending 30 June 2025 represents 8.4% of portfolio income. CIP's weighted average lease expiry ('WALE') as at 30 June 2024 was 7.6 years (30 June 2023: 7.7 years).

Capital management

As at 30 June 2024, the Trust had debt facilities and exchangeable notes totalling \$1,494.4 million (30 June 2023: \$1,597.2 million) with a weighted average expiry of 3.0 years (30 June 2023: 4.1 years).

Drawn borrowings and exchangeable notes totalled \$1,337.4 million (30 June 2023: \$1,293.2 million), and the all-in interest cost (made up of interest expense and line fees) at 30 June 2024 was 3.9% (30 June 2023: 3.2%). As at 30 June 2024, the Trust had 92.7% of its drawn debt hedged (30 June 2023: 87.9%) through a combination of swaps and fixed rate borrowings. The Trust's gearing ratio at 30 June 2024 was 34.4% (30 June 2023: 33.1%).

Moody's Investor Services maintains a Baa2 issuer rating with a stable outlook for the Trust.

Review of operations (continued)

Outlook

The Responsible Entity's strategy and ongoing focus remains unchanged. Management continues to focus on portfolio leasing to ensure occupancy and income are maximised through active asset management, risk mitigation and repositioning strategies. The Responsible Entity is focused on acquiring quality assets in order to enhance existing stable and secure income streams.

The Trust's Funds From Operations (FFO) guidance for the year ending 30 June 2025 is expected to be 17.5 cpu. The distribution guidance for the year ending 30 June 2025 is expected to be 16.3 cpu which will be paid in quarterly instalments.

Distributions

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

	30 June 2024		30 June 2023	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.000	25,397	4.000	25,397
December quarter	4.000	25,397	4.000	25,397
March quarter	4.000	25,397	4.000	25,397
June quarter	4.000	25,397	4.000	25,397
Total	16.000	101,588	16.000	101,588

Key dates in connection with the 30 June 2024 distribution are:

Event	Date
Ex-distribution date	27 June 2024
Record date	28 June 2024
Distribution payment date	7 August 2024

The Trust paid distributions of 16.0 cpu during the 2024 financial year which was in line with guidance provided as part of the June 2023 year end result.

Distribution reinvestment plan

The Trust did not activate the Distribution Reinvestment Plan (DRP) during the year ended 30 June 2024.

Environmental regulation

The Australian Accounting Standards Board (AASB) has released *Exposure Draft ED SR1 Australian Sustainability Reporting Standards - Disclosure of Climate-related Financial Information*. ED SR1 includes three proposed Australian Sustainability Reporting Standards (ASRS) that are based on the International Financial Reporting Standards Sustainability Disclosure Standards.

The Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 was introduced into parliament in March 2024 to phase in new mandatory climate-related financial disclosure obligations for entities based on the requirements outlined in ED SR1.

Based on the 'date of effect' outlined in the Bill, the fund expects its first year of mandatory reporting to be FY27 (Group 2). The Fund is focussed on progressing its preparedness for mandatory climate-related disclosures in Australia.

Other than the above, the Trust's operations are not subject to any additional significant environmental regulation under Commonwealth, State or Territory legislation.

Options granted

Other than the exchangeable notes, no other 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.

Options granted (continued)

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

The Trust has exchanged contracts to sell 54 Sawmill Circuit, Hume ACT for \$28.1 million on 18 July 2024. The sale is expected to complete in August 2024. Sale proceeds will be used to repay existing debt facilities and the proforma gearing after accounting for the sale is 34.0% as at 30 June 2024.

On 25 July 2024, the Trust extended the SMBC Tranche A \$100.0 million facility from 28 April 2025 to 25 July 2029. This extension increases the Trust's weighted average loan expiry from 3.0 years to 3.3 years.

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.

Likely development

The Trust continues to pursue its strategy of focusing on its core operations. These operations along with key risks to the Trusts strategy are summarised below.

Investment property portfolio

The Trust invests in industrial property in Australia. These investments are located across a diverse range of geographic locations in a variety of states within Australia, enabling the optimisation of investment opportunities to support its growth objectives. The Trust will continue to identify appropriate investment opportunities to meet investment returns and to provide a strong distribution.

The key risk to the performance of the underlying assets in the Trust is primarily market risk that can impact on the value of the Trust's assets both positively and negatively. Whilst these are predominately market driven factors, the Trust seeks to actively manage its assets through the economic / asset cycle to maximise tenancy and other value add opportunities in order to best position its property assets and optimise the Trust's performance.

In addition, for any new acquisitions, the Trust has access to an experienced team of property specialists who ensure that each proposed acquisition is subject to a robust due diligence process.

Co-Investments

The Trust has investments with joint venture partners and co-owners. These investments are expected to deliver returns to the Trust in line with the anticipated performance of the property investment were it is wholly owned. The joint venture partners and the co-owners have joint control with the Trust on the financial and operational decision making on these co-owned assets and disagreement may impact decisions made in relation to how an asset is managed. This risk is generally managed by regular and close engagement with co-investors and a co-owners agreement that sets out how investment disagreements are managed.

Developments

The Trust's existing investment property portfolio may include further development or redevelopment potential. Key risks to the future prospects for the Trust's development potential include delays in completion and the ability to execute projects that meet a feasibility assessment criteria, particularly where building costs are elevated. Increased costs, project overruns and the ability of building contractors to deliver against contracted obligations are material risks that may impact the financial performance of the Trust. Management seeks to manage these risks by having a highly experienced development team assessing opportunities, applying a stringent feasibility assessment process, closely monitoring the progress of development projects and partnering with well-regarded and capitalised building contractors.

Leasing and occupancy

Reduced leasing activity may result in reduced rental income streams affecting the Trust's performance and distributions. Whilst these are predominately market driven factors, the Trust seeks to actively manage its assets through the economic / asset cycle to maximise tenancy and other value add opportunities in order to best position its property assets and optimise trust performance.

Likely development (continued)

Capital management

The Trust accesses capital markets and borrowings to fund acquisitions as well as capital improvement activities. The Trust borrows funds from several sources and across a number of financial instruments including, loans, Australian dollar medium term notes and exchangeable notes. The Trust is exposed to a variety of financial risks as a result of these borrowings. 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.

Liability risk events

Assets in the portfolio are exposed to the potential for risk incidents that may cause damage to the property or require rectification. The Trust seeks to manage these risks by way of a comprehensive insurance policy covering the Trust's assets. These policies are set in consultation with the Trust's Insurance Brokers.

Each of the Trust's material risks are monitored and managed at a consolidated as well as subsidiary entity levels, applying a strong risk management framework supported by a robust risk culture. An experienced specialist management team and Committee provide oversight of the management of material risks within the risk appetite set by the Board.

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 2024 \$'000	30 June 2023 \$'000
Management fees	23,092	24,211
Development management fees	2,573	3,370
Leasing fees	2,060	1,346
Property management fees	2,034	2,194
Custodian fees	1,814	1,931
Facility management fees	1,595	1,915
Project management fees	176	226
Due diligence acquisition fees	50	50
	33,394	35,243

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

Trust information in the directors' report (continued)

Other Trust information

The number of units in the Trust issued during the financial year, and the balance of issued units at the end of the financial year are disclosed in Note C8 to the financial statements.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of the Directors' report for the year ended 30 June 2024.

Rounding of amounts

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

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



Roger Dobson
Director



Peter Done
Director

Sydney
31 July 2024



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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Centuria Industrial REIT
for the financial year ended 30 June 2024 there have been:

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

KPMG

KPMG

Peter Zabaks

Partner

Sydney

31 July 2024

Centuria Industrial REIT Annual Financial Report

For the year ended 30 June 2024

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2024

	Note	30 June 2024 \$'000	30 June 2023 \$'000
Revenue			
Rent and recoverable outgoings	B2	221,146	222,078
Total revenue from continuing operations		<u>221,146</u>	<u>222,078</u>
Other income			
Interest income		1,436	1,139
Gain on fair value of derivatives and other financial instruments		-	413
Other income		2,231	2,217
Share of net profit of equity accounted investments	C4	3,117	3,179
Total other income		<u>6,784</u>	<u>6,948</u>
Total revenue from continuing operations and other income		<u>227,930</u>	<u>229,026</u>
Expenses			
Rates, taxes and other property outgoings		50,666	49,120
Finance costs	B3	51,382	43,934
Management fees	D2	23,092	24,211
Net loss on fair value of derivative and other financial instruments		12,961	-
Other expenses		3,800	5,069
Net loss on fair value of investment properties	C2	37,880	183,300
Total expenses		<u>179,781</u>	<u>305,634</u>
Profit/(loss) from continuing operations for the year		<u>48,149</u>	<u>(76,608)</u>
Net profit for the year		<u>48,149</u>	<u>(76,608)</u>
Other comprehensive income			
Other comprehensive income for the year		-	-
Total comprehensive income/(loss) for the year	B4	<u>48,149</u>	<u>(76,608)</u>
Basic and diluted earnings/(loss) per unit			
Basic earnings/(loss) per unit (cents per unit)	B4	7.6	(12.1)

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 2024

	Note	30 June 2024 \$'000	30 June 2023 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	C10	16,536	20,868
Trade and other receivables	C1	19,488	16,366
Other assets		-	538
Derivative financial instruments	C7	6,880	3,943
Investment properties held for sale	C3	61,600	59,100
Total current assets		104,504	100,815
Non-current assets			
Investment properties	C2	3,702,400	3,709,950
Equity accounted investments	C4	71,015	70,101
Derivative financial instruments	C7	5,500	25,923
Total non-current assets		3,778,915	3,805,974
Total assets		3,883,419	3,906,789
LIABILITIES			
Current liabilities			
Trade and other payables	C5	35,575	43,794
Distributions payable	B1	25,397	25,397
Total current liabilities		60,972	69,191
Non-current liabilities			
Borrowings	C6	1,334,878	1,289,856
Derivative financial instruments	C7	29,859	36,593
Total non-current liabilities		1,364,737	1,326,449
Total liabilities		1,425,709	1,395,640
Net assets		2,457,710	2,511,149
EQUITY			
Issued capital	C8	1,840,488	1,840,488
Retained earnings		617,222	670,661
Total equity		2,457,710	2,511,149

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 2024

	Note	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2023		1,840,488	670,661	2,511,149
Net profit/(loss) for the year		-	48,149	48,149
Total comprehensive income for the year		-	48,149	48,149
Distributions provided for or paid	B1	-	(101,588)	(101,588)
Balance at 30 June 2024		1,840,488	617,222	2,457,710
Balance at 1 July 2022		1,840,488	848,857	2,689,345
Net profit/(loss) for the year		-	(76,608)	(76,608)
Total comprehensive loss for the year		-	(76,608)	(76,608)
Distributions provided for or paid	B1	-	(101,588)	(101,588)
Balance at 30 June 2023		1,840,488	670,661	2,511,149

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 2024

	Note	30 June 2024 \$'000	30 June 2023 \$'000
Cash flows from operating activities			
Receipts from customers		231,991	238,234
Payments to suppliers		(90,130)	(99,774)
Distribution received		2,651	-
Interest received		1,436	1,139
Interest paid		(50,405)	(41,996)
Net cash generated by operating activities	C10	<u>95,543</u>	<u>97,603</u>
Cash flows from investing activities			
Payments for investment properties		(129,153)	(129,450)
Proceeds from sale of investment properties		89,038	147,565
Proceeds from sale of subsidiaries		-	65,332
Net cash (used in)/generated by investing activities		<u>(40,115)</u>	<u>83,447</u>
Cash flows from financing activities			
Distribution paid		(101,588)	(103,652)
Proceeds from borrowings		162,000	443,200
Repayment of borrowings		(120,000)	(514,400)
Payments for borrowing costs		(172)	(7,134)
Payments for derivative financial instruments		-	(4,800)
Net cash used in financing activities		<u>(59,760)</u>	<u>(186,786)</u>
Net decrease in cash and cash equivalents		(4,332)	(5,736)
Cash and cash equivalents at beginning of the year		20,868	26,604
Cash and cash equivalents at end of financial year	C10	<u>16,536</u>	<u>20,868</u>

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 2024

A About the report

A1 General information

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

Statement of compliance

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

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

The financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds No. 2 Limited (CPF2L), the Responsible Entity, on 31 July 2024.

Basis of preparation

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

(i) Going concern

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

Rounding of amounts

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

A2 Material 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 2023 unless specifically outlined below or in the relevant notes to the consolidated financial statements.

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

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

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

Use of estimates and judgements

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

A2 Material accounting policies (continued)

Use of estimates and judgements (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period; or in the period of the revision and future periods if the revision affects both current and future periods. The key estimates and judgements in the financial report relate to the valuation of investment properties (per Note C2), the exchangeable notes (per Note C6) and derivative financial instruments (per Note E2).

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

Segment reporting

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

A3 New accounting standards and interpretations

Adoption of new and revised accounting standards

The AASB has issued new or amendments to standards that are first effective from 1 July 2023.

The following amended standard and interpretation that has been adopted does not have a significant impact on the Trust's consolidated financial statements.

Standard now effective:

- AASB 2023-2 Amendments to Australian Accounting Standards - International Tax Reform - Pillar Two Model Rules

New standards and interpretations not yet adopted

A number of new standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted; however, the Trust has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Trust's consolidated financial statements.

Standards not yet effective:

- AASB 2014-10 Amendments to Australian Accounting Standards - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- AASB 2015-10 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128
- AASB 2017-5 Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2021-7(a-c) Amendments to Australian Accounting Standards - Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections
- AASB 2023-5 Amendments to Australian Accounting Standards - Lack of Exchangeability
- AASB 2023-1 Amendments to Australian Accounting Standards - Supplier Finance Arrangement
- AASB 2020-1 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current
- AASB 2020-6 Amendments to Australian Accounting Standards - Classification of Liabilities as Current or Non-current - Deferral of Effective Date
- AASB 2021-2 Amendments to Australian Accounting Standards - Disclosure of Accounting Policies and Definition of Accounting Estimates
- AASB 2022-6 Amendments to Australian Accounting Standards - Non-current Liabilities with Covenants
- AASB 2023-3 Amendments to Australian Accounting Standards - Disclosure of Non-current Liabilities with Covenants: Tier 2
- AASB 2022-5 Amendments to Australian Accounting Standards - Lease Liability in a Sale and Leaseback

B Trust performance

B1 Distribution

	30 June 2024		30 June 2023	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.000	25,397	4.000	25,397
December quarter	4.000	25,397	4.000	25,397
March quarter	4.000	25,397	4.000	25,397
June quarter	4.000	25,397	4.000	25,397
Total	16.000	101,588	16.000	101,588

Key dates in connection with the 30 June 2024 distribution are:

Event	Date
Ex-distribution date	27 June 2024
Record date	28 June 2024
Distribution payment date	7 August 2024

Distribution and taxation

Under current Australian income tax legislation, the Trust is not liable for income tax for the financial year as the Trust has fully distributed its distributable income as determined under the Trust's constitution, whilst its unitholders are presently entitled to the income.

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

B2 Revenue

	30 June 2024	30 June 2023
	\$'000	\$'000
Rental income	175,419	174,277
Recoverable outgoings	39,548	35,391
Straight-lining of lease revenue	6,179	12,410
	221,146	222,078

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.

(ii) Recoverable outgoings

The Trust recovers the costs associated with general building and tenancy operation from lessees in accordance with specific clauses within lease agreements. These are invoiced monthly based on an annual estimate. The consideration is due 30 days from the invoice date. Should any adjustment be required based on actual costs incurred, this is recognised in the statement of profit or loss and other comprehensive income within the same reporting period and billed annually.

Trust performance

B3 Finance cost

Finance costs include interest expense and amortised borrowing costs.

	30 June 2024 \$'000	30 June 2023 \$'000
Interest expense	50,398	42,989
Amortisation of borrowing costs	984	945
	<u>51,382</u>	<u>43,934</u>

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.

B4 Earnings per unit

	30 June 2024	30 June 2023
Basic earnings/(loss) per unit (cents per unit)*	7.6	(12.1)
Earnings used in calculating basic earnings per unit (\$'000)	48,149	(76,608)
Weighted average number of units ('000)	634,931	634,931

* At balance date, the equity conversion option of the Trust's exchangeable notes are out of the money and anti-dilutive. As a result, basic and diluted earnings per unit are the same.

C Trust's assets and liabilities

C1 Trade and other receivables

	30 June 2024 \$'000	30 June 2023 \$'000
Current		
Trade debtors	3,899	4,734
Expected credit loss provision	(819)	(2,194)
Other current receivables	16,408	13,826
	19,488	16,366

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

Recognition and measurement

Loans and receivables are initially recognised at fair value and subsequently amortised cost using the effective interest rate method less any allowance under the expected credit loss (ECL) model.

Refer to the policy application below for further details.

Recoverability of loans and receivables

At each reporting period, the Trust assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that has a detrimental impact on the estimated future cash flows of the financial asset have occurred. The Trust recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivables and are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between cash flows due to the Trust in accordance with the contract and the cash flows that the Trust expects to receive.

During the year, the Trust has increased the ECL provision for the trade receivables balance by \$0.3m and converted \$1.65m of ECL provision to rental waiver during the financial year.

Trust's assets and liabilities

C2 Investment properties

	30 June 2024 \$'000	30 June 2023 \$'000
Opening balance	3,709,950	4,066,426
Purchase price of investment properties	61,250	20,684
Stamp duty and other transaction costs	3,760	1,581
Capital improvements and associated costs	8,010	7,262
Capital developments and associated costs	41,111	90,973
	<u>114,131</u>	<u>120,500</u>
Net loss on fair value of investment properties	(37,880)	(183,300)
Add back: sale costs and other investment properties activities for properties sold during the year	3,809	7,297
Loss on fair value of investment properties	<u>(34,071)</u>	<u>(176,003)</u>
Change in deferred rent and lease incentives	3,898	7,512
Change in capitalised leasing fees	2,542	(406)
Transfer from investment properties to equity accounted investments	-	(68,034)
Disposal at sale price	(32,450)	(180,945)
Closing gross balance	<u>3,764,000</u>	<u>3,769,050</u>
Transfer to investment properties held for sale	(61,600)	(59,100)
Closing balance*	<u>3,702,400</u>	<u>3,709,950</u>

* The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$71.2 million (2023: \$64.8 million).

Leases as lessor

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

	30 June 2024 \$'000	30 June 2023 \$'000
Less than one year	184,173	172,748
Between one and five years	551,226	508,031
More than five years	1,014,437	1,039,399
	<u>1,749,836</u>	<u>1,720,178</u>

Trust's assets and liabilities

C2 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Valuer	Last independent valuation date
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 %	30 June 2023 %	30 June 2024 %	30 June 2023 %		
VIC								
Telstra Data Centre, Clayton VIC	417,000	448,500	4.75	4.50	6.25	6.00	Savills	Jun 2024
90 Bolinda Road, Campbellfield VIC (1)	116,000	80,000	5.38	-	7.00	-	JLL	Jun 2024
207-219 Browns Rd, Noble Park VIC	74,000	65,000	6.25	5.75	7.50	6.75	Savills	Jun 2024
45 Fulton Dr, Derrimut VIC	62,500	62,500	5.75	5.25	7.00	6.50	Directors	Dec 2022
324-332 Frankston-Dandenong Rd, Dandenong South VIC	60,000	59,000	5.75	5.25	7.25	6.50	KF	Jun 2024
95-105 South Gippsland Hwy, Dandenong Sth VIC (2)	51,700	51,650	5.38	4.75	7.00	6.25	JLL	Jun 2024
24-32 Stanley Dr, Somerton VIC	51,500	44,300	5.75	5.50	7.00	6.75	Directors	Dec 2023
102-128 Bridge Rd, Keysborough VIC	50,500	52,750	6.38	5.75	7.25	6.50	Savills	Jun 2024
110 Northcorp Boulevard, Broadmeadows VIC	41,750	42,000	5.50	5.00	6.75	6.25	Directors	Dec 2022
2 Keon Pde, Keon Park VIC	37,800	39,000	6.00	5.25	7.00	6.25	Directors	Dec 2023
14-17 Dansu Ct, Hallam VIC	35,000	37,500	5.75	5.25	7.50	6.50	JLL	Jun 2024
500 Princes Hwy, Noble Park VIC	33,000	36,500	6.50	5.75	7.25	6.50	Savills	Jun 2024
513 Mt Derrimut Rd, Derrimut VIC	27,500	27,500	6.00	5.50	7.00	6.50	Directors	Dec 2022
590 Heatherton Road, Port Melbourne VIC	26,250	27,500	5.50	5.00	7.50	6.25	Colliers	Jun 2024
12-13 Dansu Ct, Hallam VIC	25,500	26,800	5.75	5.25	7.50	6.50	JLL	Jun 2024
49 Temple Dr, Thomastown VIC	23,250	23,250	6.00	5.25	7.00	6.25	Directors	Dec 2022
140 Fulton Dr, Derrimut VIC	23,000	26,300	6.00	5.25	7.75	6.50	CBRE	Jun 2024
51-65 Wharf Road, Port Melbourne VIC	21,400	20,900	5.25	4.50	6.75	6.50	Directors	Dec 2023
30 Fulton Drive, Derrimut VIC	20,400	21,000	6.50	5.50	7.50	6.50	Directors	Jun 2023
179 Studley Crt, Derrimut VIC	19,600	20,600	6.00	5.50	7.25	6.50	C&W	Jun 2024
159 & 169 Studley Court, Derrimut VIC	19,000	19,000	6.00	5.25	7.75	6.50	CBRE	Jun 2024
69 Studley Ct, Derrimut VIC (2)	18,500	18,500	5.75	5.25	7.25	6.50	C&W	Jun 2024
119 Studley Court, Derrimut VIC	15,250	12,350	6.00	5.50	7.75	6.50	Directors	Dec 2023
870 Lorimer Street, Port Melbourne VIC	14,800	18,000	5.25	4.50	7.50	6.25	Directors	Dec 2023
95 Fulton Dr, Derrimut VIC	14,000	12,000	6.00	5.50	7.25	6.50	Colliers	Jun 2024
43-49 Wharf Road, Port Melbourne VIC	12,500	11,500	5.50	4.50	7.00	6.50	C&W	Jun 2024
346 Boundary Road, Derrimut VIC	11,500	11,900	6.50	5.75	7.75	6.50	Directors	Dec 2023
40 Scanlon Dr, Epping VIC (2)	10,000	10,000	5.75	5.75	7.00	6.75	JLL	Jun 2024
31-35 Hallam South Road, Hallam VIC	8,000	6,200	6.25	6.50	7.00	7.00	Directors	Dec 2023
85 Fulton Drive, Derrimut, VIC	7,350	7,350	6.25	5.50	7.75	6.75	Directors	Dec 2023

Trust's assets and liabilities

C2 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Valuer	Last independent valuation date
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 %	30 June 2023 %	30 June 2024 %	30 June 2023 %		
75-79 and 105 Corio Quay Rd, North Geelong VIC (3)	-	36,000	-	6.25	-	7.50		Dec 2023
51-73 Lambeck Dr, Tullamarine VIC (4)	-	22,400	-	5.50	-	6.75		
9 Fellowes Ct, Tullamarine VIC (4)	-	10,850	-	5.50	-	6.75		
NSW								
56-88 Lisbon Street, Fairfield NSW	197,500	200,500	5.50	4.75	7.25	6.25	KF	Jun 2024
2 Woolworths Way, Warnervale NSW	105,000	120,000	6.25	5.75	7.75	6.25	CBRE	Jun 2024
67-69 Mandoon Rd, Girraween NSW	83,000	84,000	5.75	5.25	7.75	6.25	Directors	Dec 2023
10 Williamson Rd, Ingleburn NSW	79,500	71,000	6.00	5.25	7.25	6.50	Directors	Dec 2023
92-98 Cosgrove Rd, Enfield NSW	73,600	73,400	5.75	5.25	7.25	6.75	Directors	Jun 2023
82 Rodeo Drive, Gregory Hills NSW	71,000	71,000	5.38	4.75	7.50	6.50	C&W	Jun 2024
37-51 Scrivener St, Warwick Farm NSW	70,100	70,000	5.75	5.00	7.00	6.25	Directors	Jun 2023
12 Williamson Rd, Ingleburn NSW	69,100	72,000	5.50	4.75	7.25	6.50	Directors	Dec 2023
457 Waterloo Rd, Chullora NSW	52,300	46,000	5.75	5.00	7.25	6.50	Urbis	Jun 2024
6 Macdonald Rd, Ingleburn NSW	42,500	33,500	6.00	5.00	7.50	6.00	JLL	Jun 2024
160 Newton Road, Wetherill Park NSW	41,200	41,100	5.75	5.00	7.25	6.50	Directors	Dec 2022
164 Newton Road, Wetherill Park NSW	39,000	39,000	5.75	5.00	7.50	6.50	C&W	Jun 2024
74-94 Newton Rd, Wetherill Park NSW	39,000	39,000	6.25	5.50	7.50	6.50	Directors	Dec 2023
8 Penelope Cres, Arndell Park NSW	32,300	32,200	5.50	4.88	7.13	6.50	Directors	Dec 2022
29 Penelope Crescent, Arndell Park NSW	32,000	32,000	5.50	4.88	6.88	6.25	Urbis	Jun 2024
144 Hartley Rd, Smeaton Grange NSW	25,800	25,800	5.50	5.00	6.75	6.50	m3	Jun 2024
75 Owen St, Glendenning NSW	16,600	17,100	5.63	5.00	7.25	6.50	Directors	Dec 2023
8 Hexham Place, Wetherill Park NSW	15,350	12,300	5.75	5.00	7.50	6.25	Directors	Dec 2023
11 Hexham Pl, Wetherill Park NSW (6)	11,500	-	5.00	-	6.75	-	Directors	Jan 2024
QLD								
46 Robinson Rd E, Virginia QLD	252,500	256,500	5.25	5.00	7.00	6.50	JLL	Jun 2024
60-80 Southlink St, Parkinson QLD	56,700	59,500	6.00	5.25	7.25	6.50	JLL	Jun 2024
1 Lahrs Rd, Ormeau QLD	52,000	55,000	6.00	5.25	7.25	6.50	Directors	Dec 2023
22 Hawkins Cres, Bundamba QLD	42,000	46,000	6.25	5.50	7.25	7.25	JLL	Jun 2024
33-37 Mica St, Carole Park QLD	40,000	39,500	6.50	5.75	7.00	7.25	JLL	Jun 2024
149 Kerry Rd, Archerfield QLD	39,200	38,750	6.25	5.38	7.50	6.25	Directors	Jun 2023

Trust's assets and liabilities

C2 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		30 June 2024 Valuer	Last independent valuation date
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 %	30 June 2023 %	30 June 2024 %	30 June 2023 %		
69 Rivergate Pl, Murarrie QLD	37,600	37,500	6.50	5.75	7.25	6.50	Directors	Jun 2023
46 Gosport St, Hemmant QLD	34,200	32,200	6.50	6.00	7.50	6.75	Savills	Jun 2024
680 Boundary St, Richlands QLD	31,000	31,000	5.75	5.50	7.25	6.25	Savills	Jun 2024
21 Jay St, Mount St John, Townsville QLD (5)	28,250	29,600	7.25	6.75	8.25	7.75	Directors	Jun 2023
1 Ashburn Rd, Bundamba QLD (2)	27,500	26,650	6.25	5.50	7.25	6.50	JLL	Jun 2024
616 Boundary Rd, Richlands QLD	24,200	18,000	7.00	6.75	8.00	7.50	Directors	Dec 2023
Lot 5 243 Bradman Street, Acacia Ridge QLD	23,000	26,500	6.50	5.00	8.00	6.25	C&W	Jun 2024
51 Depot St, Banyo QLD	21,250	21,800	6.00	5.00	7.50	6.25	Directors	Dec 2023
55 Musgrave Road, Coopers Plains QLD	20,600	22,300	6.75	6.00	7.75	7.25	CBRE	Jun 2024
31 Gravel Pit Road, Darra QLD	19,200	19,100	6.25	5.50	7.50	6.75	CBRE	Jun 2024
35 Cambridge St, Coorparoo QLD	14,800	15,500	6.50	5.75	7.75	6.50	Directors	Dec 2023
24 West Link Pl, Richlands QLD	12,600	11,200	6.75	5.75	8.25	6.75	Directors	Dec 2023
42 Hoepner Rd, Bundamba QLD (2)	10,750	11,750	6.25	5.50	8.25	6.75	C&W	Jun 2024
51 Musgrave Road, Coopers Plains QLD (6)	10,750	-	7.00	-	7.50	-	JLL	Jun 2024
43-45 Mica St, Carole Park QLD	2,100	2,100	6.50	5.75	7.50	-	JLL	Jun 2024
WA								
310 Spearwood Ave, Bibra Lake WA	79,000	76,500	7.25	6.50	8.50	7.50	CBRE	Jun 2024
Lot 14 Sudlow Rd, Bibra Lake WA	49,000	45,500	7.25	6.50	8.50	7.50	Savills	Jun 2024
48-54 Kewdale Road, Welshpool WA	43,900	37,800	6.63	6.50	7.38	7.75	Colliers	Jun 2024
16 Mulgul Rd, Malaga WA (6)	39,000	-	6.50	-	7.75	-	Directors	Mar 2024
23 Selkis Rd, Bibra Lake WA	32,000	31,100	6.50	6.00	8.00	7.50	Savills	Jun 2024
204-208 Bannister Road, Canning Vale WA (1)	31,000	25,500	6.00	-	7.25	-	JLL	Jun 2024
16-18 Baile Rd, Canning Vale WA	25,600	22,300	6.75	6.50	7.38	7.00	Directors	Dec 2023
103 Stirling Cres, Hazelmere WA	21,750	20,500	6.25	6.25	7.00	7.25	JLL	Jun 2024
92 Robinson Rd, Belmont WA	15,750	13,750	7.00	6.75	7.50	7.75	C&W	Jun 2024
155 Lakes Rd, Hazelmere WA	12,000	11,500	6.25	6.00	7.00	7.25	JLL	Jun 2024

Trust's assets and liabilities

C2 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Valuer	Last independent valuation date
	30 June 2024 \$'000	30 June 2023 \$'000	30 June 2024 %	30 June 2023 %	30 June 2024 %	30 June 2023 %		
SA								
23-41 Galway Ave, Marleston SA	39,000	40,500	5.75	5.25	8.00	7.00	CBRE	Jun 2024
32-54 Kaurna Ave, Edinburgh Park SA	25,000	25,000	5.75	5.50	7.00	6.75	Directors	Jun 2023
27-30 Sharp Court, Caven SA	20,600	23,250	5.63	5.25	7.25	6.50	Directors	Dec 2023
9-13 Caribou Dr, Direk SA	12,800	12,750	6.00	6.00	7.75	7.00	CBRE	Jun 2024
ACT								
54 Sawmill Cct, Hume ACT (3) (5)	-	24,150	-	5.25	-	6.50		Dec 2023
Land holdings (7)								
50-64 Mirage Road, Direk SA	8,400	8,400	-	-	-	-	Directors	Jun 2023
15-19 Caribou Drive, Direk SA	2,500	2,500	-	-	-	-	Directors	Dec 2021
Consolidated investment properties	3,702,400	3,709,950						
29 Glendenning Rd, Glendenning NSW (8)	33,660	35,394	5.75	5.00	7.00	6.25	Savills	Jun 2024
52-74 Quarry Rd, Erskine Park NSW (8)	19,686	16,065	5.50	4.88	7.25	6.50	KF	Jun 2024
8 Lexington Dr, Bella Vista NSW (8)	16,830	18,207	5.50	4.75	7.25	6.50	Savills	Jun 2024
Investment properties equity accounted	70,176	69,666						
Investment properties portfolio	3,772,576	3,779,616						

Trust's assets and liabilities

C2 Investment properties (continued)

(1) The development of 90 Bolinda Road, Campbellfield VIC and 204-208 Bannister Road, Canning Vale WA were completed during the year.

(2) The Trust owns 50% of these properties.

(3) 75-79 and 105 Corio Quay Road, North Geelong VIC and 54 Sawmill Cct, Hume ACT were classified as investment property held for sale. Refer to Note C3 for more information.

(4) The Trust sold 51-73 Lambeck Drive, Tullamarine VIC on 27 June 2024 for \$21.60 million and 9 Fellowes Ct, Tullamarine VIC on 30 October 2023 for \$10.85 million.

(5) The Trust holds a leasehold interest in 21 Jay St, Mount St John, Townsville QLD and 54 Sawmill Cct, Hume ACT.

(6) Investment property acquired by the Trust during the year.

(7) Land holdings for upcoming developments

(8) The Trust owns 51% of the owner sub-trusts for these properties and has joint control over these sub-trusts. These properties are not consolidated in the Trust's investment properties and the 51% ownership of the net assets is accounted for as Equity accounted investments (Note C4).

The Trust's weighted average capitalisation rate as at 30 June 2024 is 5.81% (30 June 2023: 5.26%).

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

The current economic climate is uncertain. In response to this, the Trust independently valued 50 out of 89 assets at 30 June 2024.

All valuations were undertaken having regard to a best estimate of the information available at reporting date, noting there has been limited recent transactional evidence, and the valuations have been prepared in accordance with the fair value principles outlined in AASB13 Fair value measurement, which assumes a price that would be paid in an orderly transaction between market participants.

The valuations were prepared by considering the following valuation methodologies:

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

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

Fair value measurement

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

Significant unobservable inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input	Range of inputs	
			30 June 2024	30 June 2023
Market rent	Increase	Decrease	\$37 - \$732	\$35 - \$705
Capitalisation rate	Decrease	Increase	4.75% - 7.25%	4.50% - 6.75%
Discount Rate	Decrease	Increase	6.25% - 8.50%	6.00% - 7.75%

Trust's assets and liabilities

C2 Investment properties (continued)

Fair value measurement (continued)

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

A further sensitivity analysis was undertaken by the Trust to assess the fair value of investment properties values. The table below illustrates the impact on valuation of movements in capitalisation rates:

Fair Value at 30 June 2024 \$'000	Capitalisation rate impact	
	+0.25% \$'000	-0.25% \$'000
3,702,400	(152,700)	166,500

C3 Investment properties held for sale

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

	30 June 2024 \$'000	30 June 2023 \$'000
1 International Dr, Westmeadows VIC	-	59,100
54 Sawmill Cct, Hume ACT	28,100	-
75-79 and 105 Corio Quay Rd, North Geelong VIC	33,500	-
	61,600	59,100

The Trust sold 1 International Dr, Westmeadows VIC for a gross sale price of \$59.1 million on 8 September 2023.

Recognition and measurement

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

Where sale completion is delayed by events outside the control of the Trust, and the sale is not completed within one year from the date of classification, the Trust may still classify the asset as held for sale. In this circumstance, there must be sufficient evidence the Trust is committed to sell the asset.

Trust's assets and liabilities

C4 Equity accounted investments

Set out below were the joint ventures of the Trust as at 30 June 2024 which, in the opinion of the Directors, were material to the Trust and were accounted for using the equity method. The entities listed below have share capital consisting solely of ordinary units, which are held directly by the Trust. The country of incorporation or registration is Australia which is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

	30 June 2024 %	30 June 2023 %	Principal activity	Carrying amount	
				30 June 2024 \$'000	30 June 2023 \$'000
AIR Erskine Park Trust	51	51	Property investments	19,833	16,211
AIR Glendenning 2 Trust	51	51	Property investments	34,034	35,614
CIP Sub Trust No. 33	51	51	Property investments	17,148	18,276
				71,015	70,101

The below table shows the movement in carrying amounts of equity accounted investments for the year ended 30 June 2024.

30 June 2024 Carrying amount of equity accounted investments	AIR Erskine Park Trust \$'000	AIR Glendenning 2 Trust \$'000	CIP Sub Trust No. 33 \$'000	Total \$'000
Opening balance	16,211	35,614	18,276	70,101
Investment	-	-	-	-
Share of profit	4,063	(255)	(691)	3,117
Distributions received/receivable	(441)	(1,325)	(437)	(2,203)
Closing balance	19,833	34,034	17,148	71,015

30 June 2023 Carrying amount of equity accounted investments	AIR Erskine Park Trust \$'000	AIR Glendenning 2 Trust \$'000	CIP Sub Trust No. 33 \$'000	Total \$'000
Opening balance	-	-	-	-
Investment	14,499	35,365	18,279	68,143
Share of profit	1,907	843	429	3,179
Distributions received/receivable	(195)	(594)	(432)	(1,221)
Closing balance	16,211	35,614	18,276	70,101

Trust's assets and liabilities

C4 Equity accounted investments (continued)

The below table provides summarised financial information for equity accounted investments. The information disclosed reflects the amounts presented in the consolidated financial statements of the relevant investments and not the Trust's share of those amounts.

30 June 2024	AIR Erskine	AIR	CIP Sub Trust	
Summarised balance sheet	Park Trust	Glendenning	No. 33	Total
	\$'000	2 Trust	\$'000	\$'000
Cash and other cash equivalents	690	1,932	218	2,840
Other current assets	115	248	692	1,053
Total current assets	805	2,180	910	3,893
Investment properties	38,600	66,000	33,000	137,600
Total non-current assets	38,600	66,000	33,000	137,600
Other current liabilities	505	1,419	287	2,211
Total current liabilities	505	1,419	287	2,211
Other non-current liabilities	11	29	-	40
Total non-current liabilities	11	29	-	40
Total net assets	38,889	66,732	33,623	139,242
Trust's share in %	51.00%	51.00%	51.00%	51.00%
Carrying amount	19,833	34,034	17,148	71,015

30 June 2023	AIR Erskine	AIR	CIP Sub Trust	
Summarised balance sheet	Park Trust	Glendenning 2	No. 33	Total
	\$'000	Trust	\$'000	\$'000
Cash and other cash equivalents	575	2,208	474	3,257
Other current assets	152	255	183	590
Total current assets	727	2,463	657	3,847
Investment properties	31,500	69,400	35,700	136,600
Total non-current assets	31,500	69,400	35,700	136,600
Other current liabilities	439	2,031	523	2,993
Total current liabilities	439	2,031	523	2,993
Other non-current liabilities	1	-	-	1
Total non-current liabilities	1	-	-	1
Total net assets	31,787	69,832	35,834	137,453
Trust's share in %	51.00%	51.00%	51.00%	51.00%
Carrying amount	16,211	35,614	18,276	70,101

Trust's assets and liabilities

C4 Equity accounted investments (continued)

30 June 2024	AIR Erskine	AIR	CIP Sub Trust	
Summarised statement of	Park Trust	Glendenning 2	No. 33	Total
comprehensive income	\$'000	Trust	\$'000	\$'000
		\$'000		
Revenue	1,950	3,764	2,440	8,154
Net gain on fair value of investment properties	6,759	(3,285)	(2,987)	487
Other expenses	(741)	(979)	(808)	(2,528)
Profit/(loss) for the year	7,968	(500)	(1,355)	6,113
Other comprehensive income	-	-	-	-
Total comprehensive income	7,968	(500)	(1,355)	6,113
Trust's share in %	51.00%	51.00%	51.00%	51.00%
Trust's share in \$	4,063	(255)	(691)	3,117

30 June 2023	AIR Erskine	AIR	CIP Sub Trust	
Summarised statement of	Park Trust	Glendenning 2	No. 33	Total
comprehensive income	\$'000	Trust	\$'000	\$'000
		\$'000		
Revenue	835	2,718	1,480	5,033
Net gain on fair value of investment properties	3,243	39	(135)	3,147
Other expenses	(339)	(1,104)	(504)	(1,947)
Profit/(loss) for the year	3,739	1,653	841	6,233
Other comprehensive income	-	-	-	-
Total comprehensive income	3,739	1,653	841	6,233
Trust's share in %	51.00%	51.00%	51.00%	51.00%
Trust's share in \$	1,907	843	429	3,179

Trust's assets and liabilities

C5 Trade and other payables

	30 June 2024 \$'000	30 June 2023 \$'000
Current		
Trade creditors and expenses payable	16,725	16,019
Other current creditors and accruals	18,850	27,775
	35,575	43,794

Refer to Note D2 for amounts payable to related parties.

Recognition and measurement

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

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

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

C6 Borrowings

	30 June 2024 \$'000	30 June 2023 \$'000
Non-current		
Unsecured		
Unsecured loan - variable	598,000	556,000
Unsecured medium term note (A\$MTN) - fixed	350,000	350,000
Unsecured loan - fixed	100,000	100,000
Borrowing costs	(2,472)	(3,346)
Unsecured borrowings at amortised cost	1,045,528	1,002,654
Exchangeable notes at fair value*	289,350	287,202
Total borrowings	1,334,878	1,289,856

* On 2 March 2023, the Trust issued five-year unsecured guaranteed exchangeable notes (Notes) with a face value of \$300.0 million. The Notes are listed on the Official List of the Singapore Exchange Securities Trading Limited (SGX-ST) and have received a rating of Baa2 from Moody's. At year end, the closing fair value of the Notes had decreased to \$289.4 million (30 June 2023 \$287.2 million), representing the fair value of the Notes based on the price as traded in the SGX-ST as at 30 June 2024. The notes attract a fixed coupon of 3.95% per annum calculated based on its face value, payable to Noteholders on a quarterly basis.

Trust's assets and liabilities

C6 Borrowings (continued)

The Notes are exchangeable into the Trust's units at an initial exchange price of \$4.1625 (Exchange price). The Exchangeable Notes are embedded with option contracts which allow the Trust or Noteholders to redeem at 100% of the principal amount. The Trust can call for redemption to redeem all and not some only of the Notes, at their face value plus accrued and unpaid interest, if the closing price of the Trust's units at any time after 16 March 2026 to maturity is at least 130% of the applicable Exchange Price. Noteholders have an option to put the notes to the issuer for face value on or about 2 March 2026 or convert to units at any time commencing from 12 April 2023 to 10 days prior to the final maturity of the Notes on 2 March 2028. Under such a scenario, the Trust has the ability to Cash settle its obligations. It is expected that any notes that are not exchanged before maturity will be redeemed by the Trust at 100% of its face value at maturity date. The net financial obligations arising from these embedded derivatives along with the notes have been recognised and reported as a single obligation which are fair valued at each reporting date.

The Notes can be redeemed at 100% under the two derivative option contracts embedded: Issuer call option and Noteholders put option. Refer to Note C7 for more information.

As at 30 June 2024, the Trust had the following debt facilities:

	30 June 2024 \$'000	30 June 2023 \$'000
Unsecured loan facility		
Facilities limit	1,205,000	1,310,000
Facilities unused	(157,000)	(304,000)
Unsecured loan facilities used	1,048,000	1,006,000
Exchangeable notes	289,350	287,202
Total loan facility	1,337,350	1,293,202

At the end of the year, the Trust had 92.7% of its drawn debt in fixed rate borrowings (2023: 87.9%).

As at 30 June 2024, the Trust had \$739.4 million (2023: \$737.2 million) of fixed rate borrowings of which \$350.0 million has been swapped into a floating rate exposure. At the end of the year, the Trust's drawn debt that is on a fixed interest basis is \$1,239.4 million (2023: \$1,137.2 million).

The loans have covenants in relation to Interest Coverage Ratio (ICR), Gearing Ratio, Priority Debt Ratio, Unencumbered Asset Ratio, Development Ratio and Guarantor Coverage which the Trust has complied with during the year.

Recognition and measurement

Exchangeable notes issued by the Trust are traded on the SGX-ST and are fair valued at each reporting date, with the resultant adjustment taken through the Consolidated statement of profit and loss.

All other borrowings of the trust 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 term of borrowing and are derecognised when the contractual obligations are discharged, cancelled or expire.

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

C7 Derivatives

Interest rate swap contracts

Under interest rate swap contracts, the Trust agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Trust to mitigate the risk of changing interest rates on the cash flow exposures on the debt held.

The following table details the specific instruments held at reporting date, showing the notional principal amounts and contracted fixed interest rate of each contract:

Trust's assets and liabilities

C7 Derivatives (continued)

Type of contract	Maturity date	Contracted interest rate	Notional amount of contract \$'000	Fair value of contracts \$'000
Current assets				
30 June 2024				
Interest rate swap*	16 Dec 2024	1.00%	350,000	5,516
Interest rate swap	16 Jun 2025	3.05%	100,000	1,364
Total			450,000	6,880
Non-current assets				
30 June 2024				
Interest rate swap	15 Dec 2025	3.29%	100,000	1,624
Interest rate swap	15 Jun 2026	3.94%	100,000	808
Interest rate swap	15 Dec 2026	3.39%	100,000	1,836
Interest rate swap	15 Jun 2027	3.89%	100,000	1,232
Total			400,000	5,500
Non-current liabilities				
Interest rate swap*	16 Dec 2027	BBSY	(350,000)	(29,859)
Total			(350,000)	(29,859)
Type of contract	Maturity date	Contracted fixed interest rate	Notional amount of contract \$'000	Fair value of liabilities \$'000
30 June 2023				
Interest rate swap	28 Jun 2024	0.54%	50,000	1,974
Interest rate swap	30 Jun 2024	0.54%	50,000	1,969
Total			100,000	3,943
Non-current assets				
30 June 2023				
Interest rate swap	16 Jun 2025	3.05%	100,000	2,548
Interest rate swap	15 Dec 2025	3.29%	100,000	2,562
Interest rate swap	15 Dec 2026	3.39%	100,000	2,717
Interest rate swap*	16 Dec 2024	1.00%	350,000	18,096
Total			650,000	25,923
Non-current liabilities				
Interest rate swap*	16 Dec 2027	BBSY	(350,000)	(36,593)
Total			(350,000)	(36,593)

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

Trust's assets and liabilities

C7 Derivatives (continued)

Recognition and measurement

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

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

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

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

C8 Issued capital

	30 June 2024		30 June 2023	
	Units '000	\$'000	Units '000	\$'000
Opening balance	634,931	1,840,488	634,931	1,840,488
Closing balance	634,931	1,840,488	634,931	1,840,488

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

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

C9 Contingent assets, liabilities and commitments

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 30 June 2024.

Trust's assets and liabilities

C10 Cash and cash equivalents

	30 June 2024 \$'000	30 June 2023 \$'000
Cash and cash equivalents	16,536	20,868
	16,536	20,868

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

Net profit for the year	48,149	(76,608)
Adjustments:		
Net gain on fair value of investment properties	37,880	183,300
Loss/(gain) on fair value of derivatives	12,961	(413)
Change in deferred rent and lease incentives	(4,129)	(9,788)
Change in capitalised leasing fees	2,272	2,452
Borrowing cost amortisation	984	945
Changes in operating assets and liabilities:		
Increase in receivables	(3,788)	(610)
(Increase)/decrease in other assets	(220)	298
Increase/(decrease) in payables	1,434	(1,973)
Net cash generated by operating activities	95,543	97,603

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.

(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.

Name of entity	Country of domicile	Class of units	Equity interest	
			30 June 2024 %	30 June 2023 %
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

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 2024 %	30 June 2023 %
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 ST1 Trust	Australia	Ordinary	100	100
CIP Sub Trust No. 1	Australia	Ordinary	100	100
CIP Sub Trust No. 2	Australia	Ordinary	100	100
CIP Sub Trust No. 3	Australia	Ordinary	100	100
CIP Sub Trust No. 4	Australia	Ordinary	100	100
CIP Sub Trust No. 5	Australia	Ordinary	100	100
CIP Sub Trust No. 6	Australia	Ordinary	100	100
CIP Sub Trust No. 7	Australia	Ordinary	100	100
CIP Sub Trust No. 8	Australia	Ordinary	100	100
CIP Sub Trust No. 9	Australia	Ordinary	100	100
CIP Sub Trust No. 10	Australia	Ordinary	100	100
CIP Sub Trust No. 11	Australia	Ordinary	100	100
CIP Sub Trust No. 12	Australia	Ordinary	100	100
CIP Sub Trust No. 13	Australia	Ordinary	100	100
CIP Sub Trust No. 14	Australia	Ordinary	100	100
CIP Sub Trust No. 15	Australia	Ordinary	100	100
CIP Sub Trust No. 16	Australia	Ordinary	100	100
CIP Sub Trust No. 17	Australia	Ordinary	100	100
CIP Sub Trust No. 18	Australia	Ordinary	100	100
CIP Sub Trust No. 19	Australia	Ordinary	100	100
CIP Sub Trust No. 20	Australia	Ordinary	100	100
CIP Sub Trust No. 21	Australia	Ordinary	100	100
CIP Sub Trust No. 22	Australia	Ordinary	100	100
CIP Sub Trust No. 23	Australia	Ordinary	100	100
CIP Sub Trust No. 24	Australia	Ordinary	100	100
CIP Sub Trust No. 25	Australia	Ordinary	100	100
CIP Sub Trust No. 26	Australia	Ordinary	100	100
CIP Sub Trust No. 27	Australia	Ordinary	100	100
CIP Sub Trust No. 28	Australia	Ordinary	100	100
CIP Sub Trust No. 29	Australia	Ordinary	100	100
CIP Sub Trust No. 30	Australia	Ordinary	100	100
CIP Sub Trust No. 31	Australia	Ordinary	100	100
CIP Funding Pty Ltd	Australia	Ordinary	100	100
CIP Sub Trust No. 32	Australia	Ordinary	100	100
CIP Sub Trust No. 34	Australia	Ordinary	100	-
CIP Sub Trust No. 35	Australia	Ordinary	100	-
CIP Sub Trust No. 36	Australia	Ordinary	100	-
CIP Sub Trust No. 37	Australia	Ordinary	100	-
CIP Sub Trust No. 38	Australia	Ordinary	100	-
CIP Sub Trust No. 39	Australia	Ordinary	100	-

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 2024 %	30 June 2023 %
CIP Sub Trust No. 40	Australia	Ordinary	100	-
CIP Sub Trust No. 41	Australia	Ordinary	100	-
CIP Sub Trust No. 42	Australia	Ordinary	100	-
CIP Sub Trust No. 43	Australia	Ordinary	100	-

D2 Related parties

Key management personnel

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

Roger Dobson
Peter Done
Natalie Collins
Jennifer Cook

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

Key management personnel loan disclosures

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

Responsible entity fees and other transactions

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

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.

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 2024 \$'000	30 June 2023 \$'000
Management fees	23,092	24,211
Development management fees	2,573	3,370
Leasing fees	2,060	1,346
Property management fees	2,034	2,194
Custodian fees	1,814	1,931
Facility management fees	1,595	1,915
Project management fees	176	226
Due diligence acquisition fees	50	50
	33,394	35,243

At reporting date an amount of \$793,837 (2023: \$1,078,756) 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.

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.

Trust structure

D2 Related parties (continued)

Related party investments held by the Fund

At 30 June 2024, the Trust did not hold any units in the related parties of the Responsible Entity (30 June 2023: nil).

Units in the Trust held by related parties

At 30 June 2024, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
30 June 2024		
Centuria Capital No. 2 Industrial Fund	77,319,885	12.18%
Centuria Capital No. 5 Fund	21,593,800	3.40%
Centuria Property Funds No. 2 Limited	2,181,086	0.34%
Centuria Growth Bond Fund	895,191	0.14%
Centuria Balanced Fund	385,129	0.06%
Roger Dobson	101,746	0.02%
John McBain	13,404	-%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
Garry Charny	5,000	-%
	102,512,969	16.14%

30 June 2023		
Centuria Capital No. 2 Industrial Fund	77,319,885	12.18%
Centuria Capital No. 5 Fund	21,593,800	3.40%
Centuria Property Funds No. 2 Limited	2,181,086	0.34%
Centuria Growth Bond Fund	895,191	0.14%
Centuria Balanced Fund	385,129	0.06%
Roger Dobson	70,703	0.01%
John McBain	13,404	-%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
Garry Charny	5,000	-%
	102,481,926	16.13%

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.

Trust structure

D3 Parent entity disclosures

As at, and throughout the current and previous financial year, the parent entity of the Trust was CIP. The table below represents the stand alone financial position and performance of CIP. This table does not include the financial position and performance of its subsidiaries and the parent entity's investment in underlying subsidiaries are measuring at fair value. Accordingly, the amounts reflected above may be different from the consolidated financial statements.

	30 June 2024 \$'000	30 June 2023 \$'000
Financial position		
Assets		
Current assets	8,365	12,011
Non-current assets	2,597,850	2,636,330
Total assets	2,606,215	2,648,341
Liabilities		
Current liabilities	24,208	22,486
Non-current liabilities	124,297	114,706
Total liabilities	148,505	137,192
Net assets	2,457,710	2,511,149
Equity		
Issued capital	1,840,488	1,840,488
Retained earnings	617,222	670,661
Total equity	2,457,710	2,511,149
Financial performance		
Profit/(loss) for the year	48,149	(76,608)
Total comprehensive income for the year	48,149	(76,608)

E Other notes

E1 Auditor's remuneration

	30 June 2024 \$'000	30 June 2023 \$'000
KPMG:		
Audit and review of financials	374	353
Other services	13	117
	387	470

E2 Financial instruments

The directors of the Responsible Entity consider that the carrying amount of the financial assets and financial liabilities approximate their fair value in the financial statements. All financial instruments are measured at amortised cost with the exception of the derivative financial instruments and the exchangeable notes. Derivative financial instruments are measured at fair value and have a level 2 designation in the fair value hierarchy. Exchangeable notes are measured at fair value and have a level 1 designation in the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during the period.

Independent valuations are obtained from third parties to support the fair value measurement of financial instruments at each reporting date to meet the requirements of International Financial Reporting Standards.

(i) Valuation techniques

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

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

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

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

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

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

Capital management

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

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

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

E2 Financial instruments (continued)

Financial risk management objectives

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

Market risk

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

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

Interest rate risk management

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

	30 June 2024		30 June 2023	
	Effective interest rate	Total \$'000	Effective interest rate	Total \$'000
Financial assets				
Cash and cash equivalents	4.50%	16,536	3.95%	20,868
Derivative financial instruments	2.48%	12,380	1.84%	29,866
		<u>28,916</u>		<u>50,734</u>
Financial liabilities				
Derivative financial instruments	BBSY	29,859	BBSY	36,593
Borrowings - fixed (excluding borrowing costs)	3.00%	100,000	3.00%	100,000
Medium term note (A\$MTN) - fixed (excluding borrowing costs)	3.03%	350,000	3.03%	350,000
Borrowings - variable (excluding borrowing costs)	5.96%	598,000	4.49%	556,000
Exchangeable notes - fixed (at fair value)	3.95%	289,350	3.95%	287,202
		<u>1,367,209</u>		<u>1,329,795</u>

E2 Financial instruments (continued)

Market risk (continued)

Interest rate sensitivity

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

At reporting date, if variable interest rates had been 100 (2023: 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 + / -	Sensitivity impact	
		Rate increase \$'000	Rate decrease \$'000
30 June 2024			
Net (loss)/profit	100 bps	(18,737)	(16,022)
		<u>(18,737)</u>	<u>(16,022)</u>
30 June 2023			
Net (loss)/profit	100 bps	(1,582)	1,816
		<u>(1,582)</u>	<u>1,816</u>

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

Credit risk

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

At 30 June 2024, the main financial assets exposed to credit risk are trade receivables. There were no significant concentrations of credit risk to counterparties at 30 June 2024. 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:

	Total principal and interest \$'000	Less than 1 year \$'000	1 to 5 years \$'000	5+ years \$'000
30 June 2024				
Trade and other payables	60,972	60,972	-	-
Borrowings	1,609,975	155,436	1,454,539	-
Derivative financial instruments	(17,796)	723	(18,519)	-
	1,653,151	217,131	1,436,020	-

30 June 2023

Trade and other payables	68,769	68,769	-	-
Borrowings	1,515,613	54,906	1,355,709	104,998
Derivative financial instruments	(6,727)	9,861	33	(16,621)
	1,577,655	133,536	1,355,742	88,377

The principal amounts included in the above borrowings is \$1,348.0 million (2023: \$1,306.0 million), which is inclusive of the exchangeable note at its face value of \$300.0 million.

E3 Events subsequent to reporting date

The Trust has exchanged contracts to sell 54 Sawmill Circuit, Hume ACT for \$28.1 million on 18 July 2024. The sale is expected to complete in August 2024. Sale proceeds will be used to repay existing debt facilities and the proforma gearing after accounting for the sale is 34.0% as at 30 June 2024.

On 25 July 2024, the Trust extended the SMBC Tranche A \$100.0 million facility from 28 April 2025 to 25 July 2029. This extension increases the Trust's weighted average loan expiry from 3.0 years to 3.3 years.

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

E4 Additional information

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

Registered office:	Principal place of business:
Level 41, Chifley Tower, 2 Chifley Square	Level 41, Chifley Tower, 2 Chifley Square
SYDNEY NSW 2000	SYDNEY NSW 2000

Directors' declaration

For the year ended 30 June 2024

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 8 to 42 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 2024 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

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

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

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



Roger Dobson
Director



Peter Done
Director

Sydney
31 July 2024



Independent Auditor's Report

To the unitholders of Centuria Industrial REIT

Opinion

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

In our opinion, the accompanying Financial Report of the Trust gives a true and fair view, including of the **Group's** financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- Consolidated statement of financial position as at 30 June 2024;
- 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 material accounting policies; and
- Directors' Declaration.

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

Basis for opinion

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

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

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



Key Audit Matters

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

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 property (\$3,702.4m)	
Refer to Note C2 to the Financial Report	
The key audit matter	How the matter was addressed in our audit
The valuation of investment properties is a key audit matter as they are significant in value (being 95.3% of total assets) and contain assumptions with estimation uncertainty. The properties being valued at fair value increased the judgment applied by us when evaluating evidence available. The Group approached the uncertainty risk, including consideration of the recent economic uncertainties, using internal methodologies and through the use of external valuation experts. We focused on the significant forward-looking assumptions the Group applied in external and internal valuation models with a consideration to the impact of economic uncertainty including: - Discount rates: these are complicated in nature and differ due to the asset classes, geographies and characteristics of individual investment properties; - Capitalisation rates: reflects the yield that an investor would look to recover their investment in a particular class of asset; and - Forecast cash flows: net market rent assumptions. In assessing this Key Audit Matter, we involved our real estate valuation specialists, who understand the Group's investment profile and business, and the economic environment it operates in. We paid particular attention to knowledge and	Our procedures included: - Understanding the Group's process regarding the valuations of investment property; - Assessing the Group's methodologies used in the valuations of investment property for consistency with accounting standards, industry practice and Group policies; - Assessing the scope, competence and objectivity of external experts engaged by the Group and internal valuers. Working with our real estate valuation specialists we: - Gained an understanding of prevailing market conditions, including existence of market transactions, and - Performed a risk assessment of the investment property portfolio by assessing key assumptions and metrics including the valuation movement, capitalisation rate, discount rate, weighted average lease expiry and market rents to identify investment properties with significant valuation movements and outliers in key assumptions. For externally valued investment properties: - Taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed on a sample basis the appropriateness of adopted discount and capitalisation rates, net market rents and other assumptions through comparison to market analysis published by external valuers, recent market transactions, publicly available market evidence as at 30 June



sources of information available regarding market conditions specific to year end.	2024, inquiries with the Group, and historical performance of the investment properties; • Tested, on a sample basis, other key inputs to the investment property valuations such as passing rent, occupancy rate, lease terms, for consistency to existing lease contracts. • Assessed sources of information for what reasonable expectations existed at year end date versus those issues or observations emerging since year end, and their impact to the Group's investment properties values; • In conjunction with our valuation specialist, enquired with the external valuers on a sample basis to challenge the investment property valuation methodology and the assumptions applied in the external valuations. For internally valued investment properties: • Taking into account the asset classes, geographies and characteristics of individual investment properties, we assessed on a sample basis the appropriateness of the adopted capitalisation rates and the net market rents through comparison to market analysis published by external valuers, recent market transactions, publicly available market evidence as at 30 June 2024, inquiries with the Group, and historical performance of the investment properties; • Compared the adopted capitalisation rates used by the internal valuer to capitalisation rates adopted by external valuers as at 30 June 2024; • Assessed sources of information for what reasonable expectations existed at year end date versus those issues or observations emerging since year end, and their impact to the Group's investment properties values. For financial statement disclosure: • Assessed the disclosures in the financial report including checking the sensitivity analysis calculations, using our understanding obtained from our testing, against accounting standard requirements.
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Other Information

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

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report, Corporate Governance Statement and Additional stock exchange Information. The Letter from the Chairman & Trust Manager, portfolio overview and portfolio profile are expected to be made available to us after the date of the Auditor's Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not 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 of the Responsible Entity for the Financial Report

The Directors of the Responsible Entity are responsible for:

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

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

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

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

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



the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

KPMG

A handwritten signature in black ink, appearing to read 'Peter Zabaks'.

KPMG

Peter Zabaks

Partner

Sydney

31 July 2024

Corporate Governance Statement

The corporate governance statement for the Trust was last updated on 28 September 2023 and is available on the Centuria website at <https://centuria.com.au/centuria-capital/corporate/sustainability/governance/>.

Additional stock exchange information

As at 22 July 2024

Distribution of units

Holding	Number of units	Number of holders	Percentage of total (%)
1 - 1000	632,622	1,497	0.10
1,001 - 5,000	9,882,359	3,232	1.56
5,001 - 10,000	20,293,108	2,712	3.20
10,001 - 100,000	78,628,283	3,364	12.38
100,001 and over	525,494,263	133	82.76
	634,930,635	10,938	100.00

Substantial unitholders

	Number of units	Percentage of total (%)
CENTURIA CAPITAL GROUP	102,375,091	16.12
VANGUARD GROUP	48,372,747	7.62
STATE STREET CORPORATE	41,594,661	6.55
BLACKROCK GROUP	38,410,975	6.05
Total	230,753,474	36.34

Voting rights

All units carry one vote per unit without restriction.

Top 20 unitholders

	Number of units	Percentage of total (%)
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	139,145,209	21.92
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	108,150,592	17.03
CITICORP NOMINEES PTY LIMITED	71,808,212	11.31
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	45,136,934	7.10
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	32,182,951	5.07
CENTURIA INVESTMENT HOLDINGS PTY LIMITED	21,593,800	3.40
BNP PARIBAS NOMS PTY LTD	17,744,156	2.80
BNP PARIBAS NOMINEES PTY LTD	10,533,928	1.66
NATIONAL NOMINEES LIMITED	9,272,346	1.46
NETWEALTH INVESTMENTS LIMITED	6,976,739	1.10
CITICORP NOMINEES PTY LIMITED	5,324,545	0.84
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,570,341	0.72
CHARTER HALL WHOLESALE MANAGEMENT LIMITED	4,500,000	0.71
CHARTER HALL WHOLESALE MANAGEMENT LTD	3,225,147	0.51
BNP PARIBAS NOMINEES PTY LTD	3,225,000	0.51
BNP PARIBAS NOMINEES PTY LTD	2,822,959	0.44
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C2	2,807,004	0.44
CENTURIA PROPERTY FUNDS NO 2 LIMITED	2,181,086	0.34
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	1,559,567	0.25
BNP PARIBAS NOMS PTY LTD	1,458,758	0.23
	494,219,274	77.84