

Centuria

**Centuria Industrial REIT
and its subsidiaries**

ARSN 099 680 252

**Interim Financial Report
For the half-year ended 31 December 2021**

Centuria Industrial REIT

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Directors' report

For the half-year ended 31 December 2021

The directors of Centuria Property Funds No. 2 Limited, the Responsible Entity of Centuria Industrial REIT ('CIP') present their report, together with the interim consolidated financial report of the Trust and its subsidiaries ('the Trust') for the half-year ended 31 December 2021 and the independent auditor's review report thereon.

Directors of the Responsible Entity

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

Name	Appointed	Resigned	Directorship of other listed companies
Roger Dobson	01 Oct 2017		
Peter Done	26 Jun 2017		Centuria Capital Limited
Natalie Collins	29 Jul 2020		
Jennifer Cook	01 Jul 2021		
Nicholas Collishaw	01 Oct 2017	30 Aug 2021	

The company secretary of Centuria Property Funds No. 2 Limited during or since the end of the half-year is:

Name	Appointed
Anna Kovarik	05 Jul 2018

Refer to Note D2 of the interim financial report for director's 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 continuing activity of the Trust is investment in industrial properties within Australia. There have been no significant changes in the nature of the Trust's activities since the date of the Trust's establishment.

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

Significant 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 half-year.

Review of operations

Results

The results of the operations of the Trust are disclosed in the consolidated interim statement of profit or loss and other comprehensive income of the interim financial report. The Trust's profit from continuing operations for the half-year ended 31 December 2021 was \$308,081,000 (31 December 2020: \$99,558,000).

As at 31 December 2021, the Trust's Net Tangible Assets ('NTA') was \$4.21 per unit, representing a 38.0 cents per unit ('cpu') increase (30 June 2021: \$3.83).

Review of operations (continued)

Investment property valuations

The total value of the Trust's portfolio as at 31 December 2021 was \$3,878.9 million (30 June 2021: \$2,945.1 million), an increase of 31.7% for the half-year period.

The weighted average capitalisation rate for the portfolio, firmed 35 basis points year on year to 4.19% as at 31 December 2021 (30 June 2021: 4.54%).

Leasing and occupancy

The Trust secured 109,188 square metres ('sqm') of leases across 26 transactions for the half-year ended 31 December 2021. This represented 8.5% of the portfolio's gross lettable area.

At 31 December 2021 the Trust's portfolio was 99.2% occupied and the remaining lease expiry for the year ending 30 June 2022 represent 2.0% of portfolio income. CIP's weighted average lease expiry ('WALE') as at 31 December 2021 was 8.9 years (30 June 2021: 9.6 years).

Capital management

The Trust refinanced the secured multi-bank loan facility to an unsecured debt platform on 12 November 2021. A wholly owned subsidiary, CIP Funding Pty Ltd, was established to be the new borrower and the unsecured facility is guaranteed by the Trust and it's subsidiaries.

During the half-year period, Moody's Investor Services assigned the Trust a Baa2 issuer rating with a stable outlook.

On 16 December 2021, the Trust issued a \$350.0 million six-year Australian Dollar Medium Term Note ('A\$MTN') at a fixed rate of 3.026%. This fixed rate note was swapped to a floating rate exposure and separately entered into a new three-year interest rate swap, reducing the issuance cost of debt to 2.4% for the first three years. Proceeds from the note were used to refinance the Trust's existing drawn debt.

As at 31 December 2021, the Trust had debt facilities totalling \$1,460.0 million (30 June 2021: \$1,210.0 million) with a weighted average expiry of 4.8 years (30 June 2021: 3.6 years). Drawn borrowings totalled \$1,196.5 million (30 June 2021: \$936.5 million), with an all in interest cost of 1.8% (30 June 2021: 3.0%) and 62.7% of the drawn debt fixed through swaps and fixed borrowings (30 June 2021: 10.7%). The Trust's gearing at 31 December 2021 was 30.5% (30 June 2021: 27.8%).

Outlook

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

In the beginning of the half year period, the Responsible Entity announced FFO guidance for the year ending 30 June 2022 is expected to be no less than 18.1 cpu. The Responsible Entity confirms an upgrade on Funds From Operations ('FFO') guidance for the year ending 30 June 2022 to be no less than 18.2 cpu. The distribution guidance for the year ending 30 June 2022 is 17.3 cpu which will be paid in equal quarterly instalments.

Distributions

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

	31 December 2021		31 December 2020	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.325	27,307	4.25	21,638
December quarter	4.325	27,374	4.25	23,404
Total	8.650	54,681	8.50	45,042

Review of operations (continued)

Distributions (continued)

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	30 Dec 2021
Record date	31 Dec 2021
Distribution payment date	28 Jan 2022

The Funds From Operations ('FFO') for the half-year ended 31 December 2021 were \$53.9 million. This was a 26.0% increase to the previous half-year.

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

	31 December 2021 \$'000	31 December 2020 \$'000
Net profit for the half-year	308,081	99,558
Adjustments:		
Net (gain) on fair value of investment properties	(256,726)	(53,676)
Straight-lining of rental income	(5,954)	(6,752)
Amortisation of incentives and leasing fees	1,901	1,686
Rent free and abatement	3,010	2,205
Net (gain) on fair value of derivative financial instruments	(261)	(224)
Debt restructuring costs	3,275	-
Transaction costs	623	33
Funds from operations	53,949	42,830

The Trust issued 81.1 million units in the September and December quarters to assist with the acquisition of new properties. These units were entitled to a distribution for the full quarter, however as the properties acquired were not owned for the entire period, the income received from these properties was less than the distribution paid for these periods. Accordingly, this has resulted in total distributions for the period being higher than the funds from operations.

Distribution reinvestment plan

Distribution Reinvestment Plan ('DRP') remains activated during the half-year. Unitholders may elect to have all or part of their distribution entitlement reinvested by the issue of new units rather than being paid cash.

Events subsequent to balance date

The Trust settled the following two acquisitions subsequent to 31 December 2021 for a total value of \$38.7 million:

- 8 Hexham Place, Wetherill Park NSW for \$12.2 million (plus costs); and
- 5/243 Bradman Street, Acacia Ridge QLD for \$26.5 million (plus costs).

On 17 January 2022, the Trust entered into an unconditional contract for the acquisition of 90-118 Bolinda Road, Campbellfield VIC for a purchase price of \$37.7 million. The settlement is expected to occur in April 2022. A Project Delivery Agreement is contracted to construct a five-unit industrial estate when the existing lease is expired and the estimated construction costs is \$66.4 million.

There are no other matters or circumstances which have arisen since the end of the period 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.

Auditor's independence declaration

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2021.

Directors' report

Rounding of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and in accordance with that Instrument amounts in the Directors' report and the interim financial report are rounded off 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
1 February 2022



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

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

I declare that, to the best of my knowledge and belief, in relation to the review of Centuria Industrial
REIT for the half-year ended 31 December 2021 there have been:

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

KPMG

KPMG

Peter Zabaks

Partner

Sydney

01 February 2022

Centuria Industrial REIT Interim Financial Report

For the half-year ended 31 December 2021

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Consolidated interim statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2021

	Note	31 December 2021 \$'000	31 December 2020 \$'000
Revenue			
Rent and recoverable outgoings	B2	98,682	77,723
Total revenue		98,682	77,723
Other income			
Net gain on fair value of investment properties		256,726	53,676
Gain on fair value of derivative financial instruments		261	224
Interest income		2	6
Total other income		256,989	53,906
Total revenue and other income		355,671	131,629
Expenses			
Rates, taxes and other property outgoings		22,990	15,287
Finance costs	B3	12,607	9,411
Management fees	D2	10,121	6,133
Other expenses		1,872	1,240
Total expenses		47,590	32,071
Net profit for the period		308,081	99,558
Other comprehensive income			
Other comprehensive income for the period		-	-
Total comprehensive income for the period		308,081	99,558
Basic and diluted earnings per unit			
Basic earnings per unit (cents per unit)		51.98	20.41

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

Consolidated interim statement of financial position

As at 31 December 2021

	31 December 2021	30 June 2021
	Note	\$'000
ASSETS		
Current assets		
Cash and cash equivalents		105,543
Trade and other receivables		6,835
Other assets		2,464
Investment properties held for sale	C2	9,000
Total current assets		123,842
Non-current assets		
Investment properties	C1	2,936,057
Intangibles		10,501
Derivative financial instruments		-
Other non-current assets		35,459
Total non-current assets		2,982,017
Total assets		3,105,859
LIABILITIES		
Current liabilities		
Trade and other payables		26,832
Borrowings	C3	-
Distributions payable		23,451
Derivative financial instruments		-
Total current liabilities		50,283
Non-current liabilities		
Borrowings	C3	933,276
Total non-current liabilities		933,276
Total liabilities		983,559
Net assets		2,122,300
EQUITY		
Issued capital	C4	1,531,361
Retained earnings		590,939
Total equity		2,122,300

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

Consolidated interim statement of changes in equity

For the half-year ended 31 December 2021

	Note	Issued capital \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2020		1,067,398	71,645	1,139,043
Net profit for the period		-	99,558	99,558
Total comprehensive income for the period		-	99,558	99,558
Units issued		465,786	-	465,786
Dividend reinvestment plan ("DRP")		4,356	-	4,356
Equity raising costs		(9,418)	-	(9,418)
Distributions provided for or paid	B1	-	(45,042)	(45,042)
Balance at 31 December 2020		1,528,122	126,161	1,654,283
Balance at 1 July 2021		1,531,361	590,939	2,122,300
Net profit for the period		-	308,081	308,081
Total comprehensive income for the period		-	308,081	308,081
Units issued	C4	302,611	-	302,611
Dividend reinvestment plan ("DRP")	C4	5,325	-	5,325
Equity raising costs	C4	(6,558)	-	(6,558)
Distributions provided for or paid	B1	-	(54,681)	(54,681)
Balance at 31 December 2021		1,832,739	844,339	2,677,078

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

Consolidated interim statement of cash flows

For the half-year ended 31 December 2021

	31 December 2021	31 December 2020
Note	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	106,213	81,872
Payments to suppliers	(41,741)	(24,537)
Interest received	2	6
Interest paid	(10,691)	(8,668)
Net cash generated by operating activities	53,783	48,673
Cash flows from investing activities		
Payments for investment properties	(649,303)	(742,943)
Proceeds from sale of investment properties	10,301	-
Net cash used in investing activities	(639,002)	(742,943)
Cash flows from financing activities		
Distribution paid	(45,436)	(35,995)
Proceeds from borrowings	660,500	329,093
Repayment of borrowings	(400,500)	(50,000)
Payments for borrowing costs	(1,932)	(1,185)
Payments for derivative financial instruments	(2,290)	-
Proceeds from issue of units	302,611	465,786
Equity issue costs	(6,558)	(9,498)
Net cash generated by financing activities	506,395	698,201
Net (decrease)/increase in cash and cash equivalents	(78,824)	3,931
Cash and cash equivalents at beginning of the period	105,543	17,078
Cash and cash equivalents at end of period	26,719	21,009

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

Condensed notes to the interim financial report

For the half-year ended 31 December 2021

A About the report

A1 General information

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

Statement of compliance

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

The interim financial report does not include all of the information required for the annual financial report, and should be read in conjunction with the annual financial report of the Trust for the year ended 30 June 2021.

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

The interim financial report was authorised for issue in accordance with a resolution of the board of directors of Centuria Property Funds No. 2 Limited, the Responsible Entity, on 1 February 2022.

Basis of preparation

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

Going concern

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

At reporting date, the Trust has a net current asset deficiency of \$72.9 million. The Trust has sufficient capacity to fund short term operating expenses and capital expenditures. At 31 December 2021, the Trust has \$263.5 million of unused facilities (Note C3). As there have been no breaches of any of the loan covenants relating to the debt facility and the Trust continues to comply with its loan covenants, the Directors believes that the Trust has the ability to drawdown funds if require.

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

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

Rounding of amounts

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

Functional and presentation currency

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

Additional information

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

Registered office:

Level 41, Chifley Tower, 2 Chifley Square
SYDNEY NSW 2000

Principal place of business:

Level 41, Chifley Tower, 2 Chifley Square
SYDNEY NSW 2000

About the report

A2 Segment reporting

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

B Trust performance

B1 Distributions

	31 December 2021		31 December 2020	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.325	27,307	4.25	21,638
December quarter	4.325	27,374	4.25	23,404
Total	8.650	54,681	8.50	45,042

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	30 Dec 2021
Record date	31 Dec 2021
Distribution payment date	28 Jan 2022

B2 Revenue

	31 December 2021	31 December 2020
	\$'000	\$'000
Rental income	76,557	60,153
Recoverable outgoings	16,171	10,818
Straight-lining of lease revenue	5,954	6,752
	98,682	77,723

B3 Finance costs

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

	31 December 2021	31 December 2020
	\$'000	\$'000
Interest expense	8,965	9,089
Amortisation of borrowing costs	3,642	322
	12,607	9,411

C Trust's assets and liabilities

C1 Investment properties

	31 December 2021 \$'000	30 June 2021 \$'000
Opening balance	2,936,057	1,591,100
Purchase price of investment properties	631,737	785,455
Stamp duty and other transaction costs	39,489	47,424
Capital improvements and associated costs	2,456	4,928
Capital developments and associated costs	5,679	11,007
	679,361	848,814
Net gain on fair value of investment properties	255,428	525,629
Change in deferred rent and lease incentives	6,540	7,165
Change in capitalised leasing fees	1,553	573
Disposed deferred rent and lease incentives	(9)	2,376
Disposals at fair value	-	(39,600)
Closing gross balance	3,878,930	2,936,057
Closing balance[^]	3,878,930	2,936,057

[^] The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$48.3 million (30 June 2021: \$40.2 million).

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2021 Valuer	Last independent valuation date
	31 Dec 2021 \$'000	30 Jun 2021 \$'000	31 Dec 2021 %	30 Jun 2021 %	31 Dec 2021 %	30 Jun 2021 %		
VIC								
Telstra Data Centre, Clayton VIC	560,000	505,000	3.13%	3.38%	5.00%	5.25%	Colliers	Dec 2021
207-219 Browns Rd, Noble Park VIC	65,000	56,000	4.38%	5.00%	5.50%	6.00%	JLL	Dec 2021
45 Fulton Dr, Derrimut VIC	62,000	56,000	4.13%	4.50%	5.75%	6.00%	CBRE	Dec 2021
324-332 Frankston-Dandenong Rd, Dandenong South VIC	57,000	50,000	4.13%	4.65%	5.50%	5.75%	CBRE	Dec 2021
1 International Dr, Westmeadows VIC	54,500	49,000	5.25%	5.75%	5.50%	6.00%	Colliers	Dec 2021
102-128 Bridge Rd, Keysborough VIC	52,750	47,500	4.50%	5.25%	5.50%	6.00%	JLL	Dec 2021
24-32 Stanley Dr, Somerton VIC	43,000	39,400	4.50%	4.75%	5.75%	6.00%	Savills	Dec 2021
110 Northcorp Boulevard, Broadmeadows VIC^	42,000	-	3.88%	-%	5.50%	-%	Savills	Dec 2021
69 Studley Ct, Derrimut VIC	39,500	35,000	4.25%	4.65%	5.50%	5.50%	CBRE	Dec 2021
2 Keon Pde, Keon Park VIC	37,000	35,500	4.25%	4.50%	5.50%	6.00%	JLL	Dec 2021
500 Princes Hwy, Noble Park VIC	36,500	30,500	4.75%	5.00%	5.25%	5.75%	C&W	Dec 2021
75-79 and 105 Corio Quay Rd, North Geelong VIC	36,000	34,300	5.00%	5.00%	6.25%	6.50%	Colliers	Dec 2021
14-17 Dansu Ct, Hallam VIC	35,000	33,000	4.00%	4.25%	5.75%	5.75%	Colliers	Dec 2021
95-105 South Gippsland Hwy, Dandenong Sth VIC~	33,770	15,607	-%	-%	-%	-%		
590 Heatherton Road, Port Melbourne VIC^	27,510	-	4.00%	-%	5.25%	-%	Directors	Sep 2021
12-13 Dansu Ct, Hallam VIC	26,100	23,250	4.13%	4.50%	5.50%	6.00%	Savills	Dec 2021
140 Fulton Dr, Derrimut VIC	25,500	23,350	4.13%	4.50%	5.50%	6.00%	Savills	Dec 2021
513 Mt Derrimut Rd, Derrimut VIC	25,500	24,000	4.13%	4.50%	5.50%	5.75%	CBRE	Dec 2021
49 Temple Dr, Thomastown VIC	23,000	19,750	4.50%	5.00%	5.75%	6.00%	JLL	Dec 2021
51-65 Wharf Road, Port Melbourne VIC^	22,000	-	4.00%	-%	5.75%	-%	Directors	Sep 2021
30 Fulton Drive, Derrimut VIC^	20,550	-	4.50%	-%	5.75%	-%	Directors	Aug 2021
179 Studley Crt, Derrimut VIC	19,900	18,300	4.25%	4.50%	5.50%	5.75%	CBRE	Dec 2021
870 Lorimer Street, Port Melbourne VIC^	18,000	-	4.00%	-%	5.50%	-%	Directors	Oct 2021
51-73 Lambeck Dr, Tullamarine VIC	17,500	16,600	4.75%	5.00%	6.00%	6.00%	CBRE	Dec 2021
40 Scanlon Dr, Epping VIC	17,000	15,500	4.75%	5.25%	5.50%	6.25%	C&W	Dec 2021
346 Boundary Road, Derrimut VIC^	11,850	-	5.25%	-%	5.75%	-%	Directors	Jul 2021
43-49 Wharf Road, Port Melbourne VIC^	11,450	-	4.25%	-%	5.75%	-%	Savills	Dec 2021

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2021 Valuer	Last independent valuation date
	31 Dec 2021 \$'000	30 Jun 2021 \$'000	31 Dec 2021 %	30 Jun 2021 %	31 Dec 2021 %	30 Jun 2021 %		
85 Fulton Drive, Derrimut, VIC^	7,000	-	4.88%	-%	5.75%	-%	Directors	May 2021
9 Fellowes Ct, Tullamarine VIC	6,700	6,150	4.75%	5.00%	5.75%	6.00%	JLL	Dec 2021
31-35 Hallam South Road, Hallam VIC^	6,200	-	5.75%	-%	6.50%	-%	Directors	Jul 2021
NSW								
56-88 Lisbon Street, Fairfield NSW^	200,200	-	3.88%	-%	5.50%	-%	Directors	Nov 2021
2 Woolworths Way, Warnervale NSW	120,000	112,000	4.75%	5.00%	5.50%	5.75%	CBRE	Dec 2021
67-69 Mandoon Rd, Girraween NSW	86,000	90,250	4.50%	4.50%	5.50%	5.75%	Directors	Jun 2021
12 Williamson Rd, Ingleburn NSW	74,500	48,000	3.50%	4.75%	5.25%	6.00%	Savills	Dec 2021
92-98 Cosgrove Rd, Enfield NSW	73,300	63,400	3.88%	4.50%	5.25%	5.75%	JLL	Dec 2021
29 Glendenning Rd, Glendenning NSW	71,650	64,000	3.75%	4.13%	5.25%	5.75%	JLL	Dec 2021
82 Rodeo Drive, Gregory Hills NSW^	70,000	-	3.88%	-%	5.38%	-%	Directors	Oct 2021
10 Williamson Rd, Ingleburn NSW	67,000	60,600	4.25%	4.75%	5.50%	6.00%	Knight Frank	Dec 2021
37-51 Scrivener St, Warwick Farm NSW	66,000	65,000	4.00%	4.00%	5.50%	5.50%	CBRE	Dec 2021
457 Waterloo Rd, Chullora NSW	47,500	43,500	4.00%	4.25%	5.50%	5.75%	JLL	Dec 2021
160 Newton Road, Wetherill Park NSW^	40,400	-	3.88%	-%	5.25%	-%	Knight Frank	Dec 2021
74-94 Newton Rd, Wetherill Park NSW	39,000	39,000	4.75%	4.75%	5.75%	6.00%	Knight Frank	Dec 2021
164 Newton Road, Wetherill Park NSW^	37,800	-	3.88%	-%	5.25%	-%	Knight Frank	Dec 2021
6 Macdonald Rd, Ingleburn NSW	33,500	30,500	4.00%	4.38%	5.50%	5.75%	Savills	Dec 2021
8 Lexington Dr, Bella Vista NSW	31,500	28,500	4.50%	4.50%	6.00%	6.00%	CBRE	Dec 2021
52-74 Quarry Rd, Erskine Park NSW	31,000	26,500	3.75%	4.00%	5.00%	5.75%	CBRE	Dec 2021
8 Penelope Cres, Arndell Park NSW	30,500	27,500	4.00%	4.38%	5.50%	5.88%	Savills	Dec 2021
29 Penelope Crescent, Arndell Park NSW^	30,250	-	4.00%	-%	5.50%	-%	Savills	Dec 2021
30 Clay Pl, Eastern Creek NSW	25,200	24,700	4.00%	4.00%	5.50%	5.75%	Colliers	Dec 2021
144 Hartley Rd, Smeaton Grange NSW	23,750	21,800	4.00%	4.25%	5.50%	5.75%	Knight Frank	Dec 2021
75 Owen St, Glendenning NSW	17,000	15,300	3.75%	4.00%	5.00%	5.50%	CBRE	Dec 2021
QLD								
46 Robinson Rd E, Virginia QLD	300,000	289,000	3.75%	3.88%	5.50%	5.75%	Savills	Dec 2021

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2021 Valuer	Last independent valuation date
	31 Dec 2021 \$'000	30 Jun 2021 \$'000	31 Dec 2021 %	30 Jun 2021 %	31 Dec 2021 %	30 Jun 2021 %		
60-80 Southlink St, Parkinson QLD	59,700	56,200	4.38%	4.63%	5.75%	6.00%	CBRE	Dec 2021
1 Ashburn Rd, Bundamba QLD	59,150	55,400	4.50%	4.75%	5.00%	5.25%	M3	Dec 2021
22 Hawkins Cres, Bundamba QLD	56,200	56,200	4.63%	4.88%	5.75%	6.00%	Savills	Dec 2021
1 Lahrs Rd, Ormeau QLD	54,700	51,500	4.38%	4.63%	5.75%	6.00%	CBRE	Dec 2021
33-37 Mica St, Carole Park QLD	39,500	39,200	5.00%	5.00%	6.00%	6.25%	CBRE	Dec 2021
149 Kerry Rd, Archerfield QLD	38,000	35,800	4.75%	5.00%	5.75%	5.75%	JLL	Dec 2021
21 Jay St, Mount St John, Townsville QLD*	36,400	32,700	5.00%	5.50%	6.25%	6.25%	CBRE	Dec 2021
69 Rivergate Pl, Murarrie QLD	36,000	36,600	4.75%	5.00%	5.75%	5.75%	Savills	Dec 2021
46 Gosport St, Hemmant QLD	31,400	27,500	5.00%	5.50%	5.75%	6.25%	M3	Dec 2021
680 Boundary St, Richlands QLD	27,200	24,000	5.00%	5.50%	5.75%	6.25%	M3	Dec 2021
616 Boundary Rd, Richlands QLD	23,000	21,000	5.50%	5.75%	6.00%	6.00%	JLL	Dec 2021
55 Musgrave Road, Coopers Plains QLD^	21,700	-	5.00%	-%	5.75%	-%	Savills	Dec 2021
51 Depot St, Banyo QLD^	20,250	-	4.38%	-%	5.75%	-%	Directors	Aug 2021
42 Hoepner Rd, Bundamba QLD	19,400	18,100	5.00%	-%	5.75%	6.00%	M3	Dec 2021
31 Gravel Pit Road, Darra QLD^	19,000	-	4.75%	-%	5.75%	-%	Directors	Sep 2021
35 Cambridge St, Coorparoo QLD	15,500	14,500	5.00%	5.50%	6.00%	6.25%	JLL	Dec 2021
24 West Link Pl, Richlands QLD	10,700	9,500	5.00%	5.50%	5.75%	6.25%	M3	Dec 2021
43-45 Mica St, Carole Park QLD	2,100	1,950	5.00%	5.25%	-%	-%	CBRE	Dec 2021
WA								
310 Spearwood Ave, Bibra Lake WA	75,000	61,750	5.75%	6.25%	6.25%	6.75%	JLL	Dec 2021
Lot 14 Sudlow Rd, Bibra Lake WA	45,000	41,500	5.75%	6.25%	6.25%	6.75%	JLL	Dec 2021
48-54 Kewdale Road, Welshpool WA^	37,300	-	5.50%	-%	6.75%	-%	CBRE	Dec 2021
23 Selkis Rd, Bibra Lake WA	30,300	21,750	5.00%	6.25%	6.75%	7.25%	CBRE	Dec 2021
16-18 Baile Rd, Canning Vale WA	22,000	19,250	5.25%	6.00%	5.75%	6.50%	Knight Frank	Dec 2021
103 Stirling Cres, Hazelmere WA	18,250	17,500	5.75%	6.00%	7.00%	7.25%	Savills	Dec 2021
92 Robinson Rd, Belmont WA	13,250	12,500	5.75%	6.00%	6.50%	7.00%	Savills	Dec 2021
155 Lakes Rd, Hazelmere WA	10,500	10,000	5.75%	6.00%	6.75%	7.00%	Savills	Dec 2021

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2021 Valuer	Last independent valuation date
	31 Dec 2021 \$'000	30 Jun 2021 \$'000	31 Dec 2021 %	30 Jun 2021 %	31 Dec 2021 %	30 Jun 2021 %		
SA								
23-41 Galway Ave, Marleston SA	39,750	36,000	4.75%	5.00%	6.00%	6.25%	Colliers	Dec 2021
32-54 Kaurna Ave, Edinburgh Park SA	25,000	19,000	4.75%	6.25%	6.25%	7.00%	CBRE	Dec 2021
9-13 Caribou Dr, Direk SA	12,700	11,400	5.25%	5.75%	6.00%	6.50%	JLL	Dec 2021
ACT								
54 Sawmill Cct, Hume ACT*	24,150	22,000	4.75%	5.00%	5.75%	6.00%	Colliers	Dec 2021
	3,878,930	2,936,057						

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

^ Investment properties acquired by the Trust during the half-year period.

~ The acquisition of Site 1 was completed in July 2021. The fair value of prior period balance includes Site 2 only. This property is under development and the fair value is measure at cost.

The Trust's weighted average capitalisation rate as at 31 December 2021 is 4.19% (30 June 2021: 4.54%).

Trust's assets and liabilities

C1 Investment properties (continued)

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 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, as 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.

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

Fair Value at 31 December 2021 \$'000	Capitalisation rate impact	
	+0.25%	-0.25%
3,878,930	\$'000 (218,400)	\$'000 246,100

C2 Investment properties classified as held for sale

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

	31 December 2021 \$'000	30 June 2021 \$'000
99 Quill Way, Henderson WA	-	9,000
	<hr/>	<hr/>
	-	9,000

The Trust sold 99 Quill Way, Henderson WA for a gross sale price of \$10.5 million plus GST on 26 November 2021.

Trust's assets and liabilities

C3 Borrowings

	31 December 2021 \$'000	30 June 2021 \$'000
Current		
Unsecured		
Unsecured loan - variable	50,000	-
	<u>50,000</u>	<u>-</u>
Non-current		
Secured		
Secured loan - variable	-	836,500
Secured loan - fixed	-	100,000
Borrowing costs	-	(3,224)
	<u>-</u>	<u>933,276</u>
Unsecured		
Unsecured loan - variable	696,500	-
Unsecured medium term note (A\$MTN) - fixed	350,000	-
Unsecured loan - fixed	100,000	-
Borrowing costs	(3,627)	-
	<u>1,142,873</u>	<u>-</u>

The Trust refinanced the secured multi-bank loan facility to an unsecured debt platform on 12 November 2021. A wholly owned subsidiary, CIP Funding Pty Ltd, was established to be the new borrower and the unsecured loan facility is guaranteed by the Trust and its subsidiaries.

During the half-year period, Moody's Investor Services assigned the Trust a Baa2 issuer rating with a stable outlook.

On 16 December 2021, the Trust issued a \$350.0 million six-year Australian Dollar Medium Term Note ('A\$MTN') at a fixed rate of 3.026%. This fixed rate note was swapped to a floating rate exposure and separately entered into a new three-year interest rate swap, reducing the issuance cost of debt to 2.4% for the first three years. Proceeds from the note were used to refinance the Trust's existing drawn debt.

As at 31 December 2021, the Trust had the following debt facilities:

	31 December 2021 \$'000	30 June 2021 \$'000
Secured loan facility		
Facilities limit	-	1,210,000
Facilities unused	-	(273,500)
Facilities used	<u>-</u>	<u>936,500</u>
Unsecured loan facility		
Facilities limit	1,460,000	-
Facilities unused	(263,500)	-
Facilities used	<u>1,196,500</u>	<u>-</u>

At the end of the half year period, the Trust had 62.7% of its drawn debt hedged (30 June 2021: Nil).

As at 31 December 2021, the Trust had \$450.0 million (30 June 2021: \$100.0 million) of fixed rate borrowings of which \$350 million has been swapped into a floating rate exposure. At the end of the reporting period, the Trust's drawn debt that is on a fixed interest basis is \$750.0 million (30 June 2021: \$100.0 million).

Trust's assets and liabilities

C3 Borrowings (continued)

The loan has 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 period.

C4 Issued capital

	31 December 2021		30 June 2021	
	Units '000	\$'000	Units '000	\$'000
Opening balance	551,808	1,531,361	400,275	1,067,398
Units issued	79,642	302,611	149,036	465,786
Distribution reinvestment plan ('DRP')	1,464	5,325	2,497	7,704
Equity raising costs	-	(6,558)	-	(9,527)
Closing balance	632,914	1,832,739	551,808	1,531,361

All units in the 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.

D Other notes

D1 Fair value of 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. Derivative financial instruments are measured at fair value and have a level 2 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.

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.

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	Appointed 1 July 2021
Nicholas Collishaw	Resigned 30 August 2021

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 key management personnel or their personally related entities at any time during the reporting period.

Other notes

D2 Related parties (continued)

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.

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

	31 December 2021 \$'000	31 December 2020 \$'000
Management fees	10,121	6,133
Property management fees	1,032	812
Leasing fees	1,145	290
Custodian fees	794	471
Facility management fees	544	566
Due diligence acquisition fees	425	225
Project management fees	132	441
	<u>14,193</u>	<u>8,938</u>

At reporting date an amount of \$2,498,973 (31 December 2020: \$1,623,738) 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 arms-length 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.

Related party investments held by the Trust

At 31 December 2021, the Trust did not hold any units in the related parties of the Responsible Entity (30 June 2021: nil).

Units in the Trust held by related parties

At 31 December 2021, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
31 December 2021		
Centuria Capital No. 2 Industrial Fund	77,319,885	12.22%
Centuria Capital No. 5 Fund	21,593,800	3.41%
Centuria Property Funds No. 2 Limited	2,181,086	0.34%
Centuria Growth Bond Fund	895,191	0.14%
Jason Huljich	557,971	0.09%
Centuria Balanced Fund	485,879	0.08%
Roger Dobson	50,703	0.01%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
John McBain	13,404	-%
Simon Holt	6,535	-%
	<u>103,115,647</u>	<u>16.29%</u>

Other notes

D2 Related parties (continued)

Units in the Trust held by related parties (continued)

30 June 2021

Centuria Capital No. 2 Industrial Fund	68,966,756	12.50%
Centuria Capital No. 5 Fund	21,593,800	3.91%
Centuria Property Funds No. 2 Limited	2,181,086	0.40%
Centuria Growth Bond Fund	895,191	0.16%
Jason Huljich	557,971	0.10%
Centuria Balanced Fund	485,879	0.09%
Roger Dobson	50,703	0.01%
Jennifer Cook	5,729	-%
Simon Holt	6,535	-%
	<hr/>	
	94,743,650	17.17%

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

Other transactions within the Trust

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

D3 Commitments

On 21 December 2021, the Trust entered into an unconditional contract and paid a 5% deposit for the acquisition of 159 & 169 Studley Court, Derrimut, VIC for a purchase price of \$17.1 million. The settlement is expected to occur in May 2022.

The Trust has committed to construct a six-asset industrial estate on 95-105 South Gippsland Hwy, Dandenong South VIC with an estimated total development cost of \$62.5 million plus GST. As at 31 December the Trust has spent \$7.0 million (plus GST) on this development project.

D4 Events subsequent to reporting date

The Trust settled the following two acquisitions subsequent to 31 December 2021 for a total value of \$38.7 million:

- 8 Hexham Place, Wetherill Park NSW for \$12.2 million (plus costs); and
- 5/243 Bradman Street, Acacia Ridge QLD for \$26.5 million (plus costs).

On 17 January 2022, the Trust entered into an unconditional contract for the acquisition of 90-118 Bolinda Road, Campbellfield VIC for a purchase price of \$37.7 million. The settlement is expected to occur in April 2022. A Project Delivery Agreement is contracted to construct a five-unit industrial estate when the existing lease is expired and the estimated construction costs is \$66.4 million.

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

Directors' declaration

For the half-year ended 31 December 2021

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

- (a) in the directors' opinion, there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable;
- (b) the attached financial statements and notes thereto are in compliance with International Financial Reporting Standards, as stated in Note A1 to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes A1 to D4 are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and giving a true and fair view of the Trust's financial position as at 31 December 2021 and of its performance for the half-year ended on that date.

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



Roger Dobson
Director



Peter Done
Director

Sydney
1 February 2022



Independent Auditor's Review Report

To the Unitholders of Centuria Industrial REIT,

Conclusion

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

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

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Interim Financial Report** comprises:

- Consolidated interim statement of financial position as at 31 December 2021;
- Consolidated interim statement of profit or loss and other comprehensive income, Consolidated interim statement of changes in equity and Consolidated interim statement of cash flows for the half-year ended on that date;
- Notes A1 to D4 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

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

The **Interim Period** is the 6 months ended on 31 December 2021.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.



Responsibilities of the Directors for the Interim Financial Report

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

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

Auditor's Responsibilities for the Review of the Interim Financial Report

Our responsibility is to express a conclusion on the Interim Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Interim Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and its performance for the half-year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

KPMG

KPMG

Peter Zabaks

Partner

Sydney

01 February 2022