

Centuria

**Centuria Industrial REIT
and its subsidiaries**

ARSN 099 680 252

**Interim Financial Report
For the half-year ended 31 December 2022**

Centuria Industrial REIT

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Directors' report

For the half-year ended 31 December 2022

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 2022 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	Directorship of other listed companies
Roger Dobson	01 Oct 2017	
Natalie Collins	29 Jul 2020	
Jennifer Cook	01 Jul 2021	
Peter Done	26 Jun 2017	Centuria Capital Limited

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 statutory loss from continuing operations for the half-year ended 31 December 2022 was \$45,646,000 (31 December 2021: \$308,081,000 profit).

As at 31 December 2022, the Trust's Net Tangible Assets ('NTA') was \$4.08 per unit, representing a 16.0 cents per unit ('cpu') decrease (30 June 2022: \$4.24).

Review of operations (continued)

Results (continued)

The Funds From Operations ('FFO') for the half-year ended 31 December 2022 were \$54.1 million. This was a 0.3% increase compared 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 2022	31 December 2021
	\$'000	\$'000
Net (loss)/profit for the half-year	(45,646)	308,081
Adjustments:		
Net loss/(gain) on fair value of investment properties	93,209	(256,726)
Straight-lining of rental income	(5,335)	(5,954)
Rent free and abatement	4,860	3,010
Amortisation of incentives and leasing fees	2,246	1,901
Loss/(gain) on fair value of derivative financial instruments	4,366	(261)
Debt restructuring costs	-	3,275
Transaction costs	386	623
Adjustment for non FFO equity accounted items	20	-
Funds from operations attributable to CIP unitholders	54,106	53,949

Investment property valuations

The total value of the Trust's portfolio including equity accounted investment as at 31 December 2022 was \$3,865.2 million (30 June 2022: \$4,100.9 million), a decrease of 5.7% for the half-year period and a decrease of 1.9% on a like for like basis.

The weighted average capitalisation rate for the portfolio softened 47 basis points to 4.66% as at 31 December 2022 (30 June 2022: 4.19%).

Leasing and occupancy

The Trust secured 88,517 square metres ('sqm') of leases across 19 transactions for the half-year ended 31 December 2022. This represented 7.0% of the portfolio's gross lettable area.

At 31 December 2022 the Trust's portfolio was 98.7% occupied and the remaining lease expiry for the year ending 30 June 2023 represents 1.2% of portfolio income. CIP's weighted average lease expiry ('WALE') as at 31 December 2022 was 8.1 years (30 June 2022: 8.3 years).

Review of operations (continued)

Capital management

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

As at 31 December 2022, the Trust had debt facilities totalling \$1,610.0 million (30 June 2022: \$1,610.0 million) with a weighted average expiry of 4.1 years (30 June 2022: 4.4 years). Drawn borrowings totalled \$1,235.2 million (30 June 2022: \$1,377.2 million), and the all in interest cost (made up of interest expense and line fees) at 31 December 2022 was 3.3% (30 June 2022: 2.0%) and 76.9% of the drawn debt fixed through swaps and fixed borrowings (30 June 2022: 61.7%). The Trust's gearing at 31 December 2022 was 31.6% (30 June 2022: 33.2%).

Disposal

During the half year, the Trust entered into a strategic partnership formed with an investment vehicle sponsored by Morgan Stanley Real Estate Investing (MSREI). The Trust disposed c.50% interest in a portfolio of eight assets realising \$180.9m.

The Partnership Portfolio comprised of the following properties:

- 8 Lexington Drive, Bella Vista NSW⁽¹⁾
- 29 Glendenning Road, Glendenning NSW⁽¹⁾
- 52-74 Quarry Road, Erskine Park NSW⁽¹⁾
- 95-105 South Gippsland Hwy, Dandenong South VIC⁽²⁾
- 40 Scanlan Drive, Epping VIC⁽²⁾
- 69 Studley Court, Derrimut VIC⁽²⁾
- 42 Hoepner Road, Bundamba QLD⁽²⁾
- 1 Ashburn Road, Bundamba QLD⁽²⁾

(1) As part of the transaction, 49% of the underlying interest in the sub trusts carrying these properties were disposed, resulting in the retention of a 51% non controlling stakes. Whilst these assets continue to be managed by the Responsible Entity, the need for joint decision making across a number of material financial and operating matters under the terms of the sale deeds results in the loss of control with significant influence and therefore equity accounting adopted as the most appropriate basis for reporting these equity stakes.

(2) As part of the transaction, 50% of the direct proportionate interest in each of the properties were divested. The trust continues to consolidate its remaining 50% direct proportionate interest in each of these properties.

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 maintaining an optimal portfolio construction to deliver stable income stream.

In the beginning of the half year period, the Responsible Entity announced FFO guidance for the year ending 30 June 2023 was expected to be 17.0 cpu. The distribution guidance for the year ending 30 June 2023, which was announced together with the FFO guidance, is 16.0 cpu which will be paid in equal quarterly instalments. As of the date of this report both the FFO and the distribution guidance remain unchanged.

Distributions

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

	31 December 2022		31 December 2021	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.00	25,397	4.32	27,307
December quarter	4.00	25,397	4.32	27,374
Total	8.00	50,794	8.65	54,681

Review of operations (continued)

Distributions (continued)

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	29 Dec 2022
Record date	30 Dec 2022
Distribution payment date	31 Jan 2023

Distribution reinvestment plan

The Trust did not activate the Distribution Reinvestment Plan ('DRP') during the half year ended 31 December 2022.

Events subsequent to balance date

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 2022.

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
31 January 2023



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

To the Directors of Centuria Property Fund 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 2022 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

Peter Zabaks

Partner

Sydney

31 January 2023

Centuria Industrial REIT Interim Financial Report

For the half-year ended 31 December 2022

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Consolidated interim statement of profit or loss and other comprehensive income

For the half-year ended 31 December 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Revenue			
Rent and recoverable outgoings	B2	110,945	98,682
Total revenue		110,945	98,682
Other income			
Net gain on fair value of investment properties		-	256,726
Gain on fair value of derivative financial instruments		-	261
Other income		1,569	-
Interest income		421	2
Share of net profit of equity accounted investments		310	-
Total other income		2,300	256,989
Total revenue and other income		113,245	355,671
Expenses			
Net loss on fair value of investment properties		93,209	-
Rates, taxes and other property outgoings		23,661	22,990
Finance costs	B3	22,967	12,607
Management fees	D2	12,365	10,121
Loss on fair value of derivative financial instruments		4,366	-
Other expenses		2,323	1,872
Total expenses		158,891	47,590
Net (loss)/profit for the period		(45,646)	308,081
Other comprehensive income			
Other comprehensive income for the period		-	-
Total comprehensive (loss)/income for the period		(45,646)	308,081
Basic and diluted earnings per unit			
Basic earnings per unit (cents per unit)		(7.19)	51.98

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 2022

	31 December 2022	30 June 2022
	Note	\$'000
ASSETS		
Current assets		
Cash and cash equivalents		26,604
Trade and other receivables		14,830
Derivative financial instruments		5,032
Other assets		640
Investment properties held for sale	C2	34,500
Total current assets		81,606
Non-current assets		
Investment properties	C1	4,066,426
Equity accounted investments	C3	-
Total non-current assets		4,066,426
Total assets		4,148,032
LIABILITIES		
Current liabilities		
Trade and other payables		47,029
Distributions payable		27,461
Total current liabilities		74,490
Non-current liabilities		
Borrowings	C4	1,373,029
Derivative financial instruments		11,168
Total non-current liabilities		1,384,197
Total liabilities		1,458,687
Net assets		2,689,345
EQUITY		
Issued capital	C6	1,840,488
Retained earnings		848,857
Total equity		2,689,345

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 2022

	Note	Issued capital \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2021		1,531,361	590,939	2,122,300
Net (loss)/profit for the period		-	308,081	308,081
Total comprehensive income for the period		-	308,081	308,081
Units issued		302,611	-	302,611
Dividend reinvestment plan ('DRP')		5,325	-	5,325
Equity raising costs		(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
Balance at 1 July 2022		1,840,488	848,857	2,689,345
Net (loss)/profit for the period		-	(45,646)	(45,646)
Total comprehensive loss for the period		-	(45,646)	(45,646)
Equity raising costs	C6	(14)	-	(14)
Distributions provided for or paid	B1	-	(50,794)	(50,794)
Balance at 31 December 2022		1,840,474	752,417	2,592,891

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 2022

	Note	31 December 2022 \$'000	31 December 2021 \$'000
Cash flows from operating activities			
Receipts from customers		124,162	106,213
Payments to suppliers		(50,614)	(41,741)
Interest received		421	2
Interest paid		(19,866)	(10,691)
Net cash generated by operating activities		<u>54,103</u>	<u>53,783</u>
Cash flows from investing activities			
Payments for investment properties		(70,515)	(649,303)
Proceeds from sale of investment properties		149,778	10,301
Proceeds from sale of subsidiaries		65,332	-
Net cash generated by/(used in) investing activities		<u>144,595</u>	<u>(639,002)</u>
Cash flows from financing activities			
Distribution paid		(52,858)	(45,436)
Proceeds from borrowings		79,200	660,500
Repayment of borrowings		(221,200)	(400,500)
Payments for borrowing costs		(116)	(1,932)
Payments for derivative financial instruments		(4,800)	(2,290)
Proceeds from issue of units		-	302,611
Equity issue costs		(14)	(6,558)
Net cash (used in)/generated by financing activities		<u>(199,788)</u>	<u>506,395</u>
Net (decrease) in cash and cash equivalents		(1,090)	(78,824)
Cash and cash equivalents at beginning of the period		<u>26,604</u>	<u>105,543</u>
Cash and cash equivalents at end of period		<u>25,514</u>	<u>26,719</u>

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 2022

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 2022.

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 31 January 2023.

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 \$32.6 million. The Trust has sufficient capacity to fund short term operating expenses and its capital expenditures commitment. At 31 December 2022, the Trust has \$374.8 million of unused facilities (Note C4). 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 required.

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

A2 Significant accounting policies

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 period.

About the report

A3 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 2022		31 December 2021	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.00	25,397	4.32	27,307
December quarter	4.00	25,397	4.32	27,374
Total	8.00	50,794	8.65	54,681

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	29 Dec 2022
Record date	30 Dec 2022
Distribution payment date	31 Jan 2023

B2 Revenue

	31 December 2022	31 December 2021
	\$'000	\$'000
Rental income	88,851	76,557
Recoverable outgoings	16,759	16,171
Straight-lining of lease revenue	5,335	5,954
	110,945	98,682

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 2022	31 December 2021
	\$'000	\$'000
Interest expense	22,509	8,965
Amortisation of borrowing costs	458	3,642
	22,967	12,607

C Trust's assets and liabilities

C1 Investment properties

	31 December 2022 \$'000	30 June 2022 \$'000
Opening balance	4,066,426	2,936,057
Purchase price of investment properties	12,284	772,410
Stamp duty and other transaction costs	873	48,096
Capital improvements and associated costs	2,149	13,918
Capital developments and associated costs	48,613	32,136
	<u>63,919</u>	<u>866,560</u>
Net (loss)/gain on fair value of investment properties	(93,209)	280,756
Add back: fair value loss on investment properties sold during the period	5,049	-
(Loss)/gain on fair value of investment properties	<u>(88,160)</u>	<u>280,756</u>
Change in deferred rent and lease incentives	3,963	15,051
Change in capitalised leasing fees	(38)	2,511
Disposed deferred rent and lease incentives	-	(9)
Transfer from investment properties to equity accounted investments	(68,034)	-
Disposals at fair value	(180,945)	-
Closing gross balance	<u>3,797,131</u>	<u>4,100,926</u>
Add: Transfer from investment properties held for sale	-	(34,500)
Closing balance[^]	<u>3,797,131</u>	<u>4,066,426</u>

[^] The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$61.6 million (30 June 2022: \$57.7 million).

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2022 Valuer	Last independent valuation date
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 %	30 Jun 2022 %	31 Dec 2022 %	30 Jun 2022 %		
Investment properties portfolio								
VIC								
Telstra Data Centre, Clayton VIC	500,000	560,000	4.00%	3.13%	5.75%	5.25%	JLL	Dec 2022
207-219 Browns Rd, Noble Park VIC	65,000	65,000	5.00%	4.38%	6.00%	5.50%	Directors	Dec 2021
45 Fulton Dr, Derrimut VIC	62,500	62,500	4.50%	4.13%	5.75%	5.25%	Colliers	Dec 2022
324-332 Frankston-Dandenong Rd, Dandenong South VIC	58,500	58,500	4.50%	4.13%	5.75%	5.50%	Directors	Jun 2022
1 International Dr, Westmeadows VIC	57,000	56,500	5.50%	5.25%	6.50%	6.00%	JLL	Dec 2022
102-128 Bridge Rd, Keysborough VIC	52,750	53,500	5.25%	4.50%	6.00%	5.50%	Savills	Dec 2022
95-105 South Gippsland Hwy, Dandenong Sth VIC#	50,600	65,125	4.13%	-%	5.75%	-%	Directors	Jun 2022
24-32 Stanley Dr, Somerton VIC	44,300	43,000	5.00%	4.50%	6.50%	5.75%	C&W	Dec 2022
90 Bolinda Road, Campbellfield VIC**	43,966	37,650	-%	4.50%	-%	5.25%	Directors	Dec 2021
110 Northcorp Boulevard, Broadmeadows VIC	42,000	42,000	4.25%	3.88%	5.75%	5.50%	Savills	Dec 2022
2 Keon Pde, Keon Park VIC	38,700	38,700	4.50%	4.25%	5.75%	5.50%	Savills	Dec 2022
14-17 Dansu Ct, Hallam VIC	37,500	37,500	4.50%	4.00%	5.75%	5.25%	Directors	Jun 2022
500 Princes Hwy, Noble Park VIC	36,500	36,500	5.25%	4.75%	6.00%	5.50%	Directors	Jun 2022
75-79 and 105 Corio Quay Rd, North Geelong VIC	36,000	36,000	5.50%	5.00%	6.50%	6.25%	Directors	Dec 2021
590 Heatherton Road, Port Melbourne VIC	27,500	27,550	4.50%	4.00%	5.50%	5.50%	Directors	Jun 2022
513 Mt Derrimut Rd, Derrimut VIC	27,000	27,000	4.50%	4.13%	5.75%	5.25%	Colliers	Dec 2022
12-13 Dansu Ct, Hallam VIC	26,500	26,500	4.50%	4.00%	5.75%	5.25%	Directors	Jun 2022
140 Fulton Dr, Derrimut VIC	25,700	25,500	4.50%	4.13%	5.75%	5.25%	Directors	Jun 2022
49 Temple Dr, Thomastown VIC	23,100	23,000	4.75%	4.50%	6.00%	5.75%	Savills	Dec 2022
51-65 Wharf Road, Port Melbourne VIC	22,000	22,000	4.25%	4.00%	5.50%	5.50%	Directors	Sep 2021
30 Fulton Drive, Derrimut VIC	20,800	20,550	5.00%	4.50%	6.00%	5.75%	Directors	Aug 2021
179 Studley Crt, Derrimut VIC	20,500	20,000	4.75%	4.25%	5.75%	5.50%	Directors	Jun 2022
51-73 Lambeck Dr, Tullamarine VIC	18,750	17,900	5.00%	4.75%	6.25%	5.75%	Directors	Dec 2021
69 Studley Ct, Derrimut VIC#	18,300	40,000	4.50%	4.25%	5.75%	5.50%	Directors	Jun 2022
159 & 169 Studley Court, Derrimut VIC	18,500	18,500	4.75%	4.25%	5.75%	5.25%	Directors	Jun 2022
870 Lorimer Street, Port Melbourne VIC	18,000	18,000	4.25%	4.00%	5.75%	5.50%	Directors	Oct 2021
119 Studley Court, Derrimut VIC^	12,350	-	4.50%	-%	5.75%	-%	Directors	Jul 2022
95 Fulton Dr, Derrimut VIC	12,000	12,000	4.50%	4.25%	5.75%	5.50%	Directors	Jun 2022
346 Boundary Road, Derrimut VIC	11,850	11,850	5.50%	5.25%	6.25%	5.75%	Directors	Jul 2021

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2022 Valuer	Last independent valuation date
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 %	30 Jun 2022 %	31 Dec 2022 %	30 Jun 2022 %		
43-49 Wharf Road, Port Melbourne VIC	11,450	11,450	4.25%	4.25%	6.00%	5.75%	Directors	Dec 2021
40 Scanlon Dr, Epping VIC#	8,825	17,500	5.25%	4.75%	6.00%	5.25%	Directors	Dec 2021
85 Fulton Drive, Derrimut, VIC	7,350	7,350	4.75%	4.75%	5.75%	5.50%	Directors	May 2021
9 Fellowes Ct, Tullamarine VIC	7,000	6,850	5.00%	4.75%	6.00%	5.75%	Directors	Dec 2021
31-35 Hallam South Road, Hallam VIC	6,200	6,200	6.00%	5.75%	6.75%	6.50%	Directors	Jul 2021
NSW								
56-88 Lisbon Street, Fairfield NSW	200,500	200,200	4.13%	3.88%	5.75%	5.50%	Savills	Dec 2022
2 Woolworths Way, Warnervale NSW	120,000	120,000	5.25%	4.75%	5.88%	5.50%	Directors	Dec 2021
67-69 Mandoon Rd, Girraween NSW	84,000	86,000	4.75%	4.50%	5.75%	5.50%	Directors	Jun 2021
12 Williamson Rd, Ingleburn NSW	75,000	75,000	4.25%	3.50%	5.75%	5.25%	Directors	Dec 2021
92-98 Cosgrove Rd, Enfield NSW	73,400	73,300	4.50%	3.88%	5.50%	5.25%	Knight Frank	Dec 2022
82 Rodeo Drive, Gregory Hills NSW	71,000	70,000	4.13%	3.88%	5.63%	5.38%	Savills	Dec 2022
37-51 Scrivener St, Warwick Farm NSW	70,000	66,200	4.50%	4.00%	6.00%	5.50%	CBRE	Dec 2022
29 Glendenning Rd, Glendenning NSW##	-	71,650	-%	3.75%	-%	5.25%	Directors	Dec 2021
10 Williamson Rd, Ingleburn NSW	67,000	67,000	4.75%	4.25%	5.75%	5.50%	Knight Frank	Dec 2022
457 Waterloo Rd, Chullora NSW	47,800	47,800	4.50%	4.00%	6.00%	5.50%	Colliers	Dec 2022
160 Newton Road, Wetherill Park NSW	41,000	40,400	4.50%	3.88%	6.00%	5.25%	Colliers	Dec 2022
164 Newton Road, Wetherill Park NSW	39,000	38,750	4.50%	3.88%	5.88%	5.25%	Colliers	Dec 2022
74-94 Newton Rd, Wetherill Park NSW	39,000	39,000	5.25%	4.75%	6.00%	5.75%	Directors	Dec 2021
8 Lexington Dr, Bella Vista NSW##	-	38,000	-%	3.75%	-%	5.50%	Directors	Jun 2022
6 Macdonald Rd, Ingleburn NSW	33,500	33,500	4.50%	4.00%	5.75%	5.50%	Directors	Dec 2021
8 Penelope Cres, Arndell Park NSW	32,000	30,500	4.50%	4.00%	6.00%	5.50%	Colliers	Dec 2022
29 Penelope Crescent, Arndell Park NSW	30,000	30,250	4.50%	4.00%	6.00%	5.50%	Colliers	Dec 2022
52-74 Quarry Rd, Erskine Park NSW##	-	31,000	-%	3.75%	-%	5.25%	Directors	Jun 2022
144 Hartley Rd, Smeaton Grange NSW	25,400	25,400	4.50%	4.00%	5.75%	5.50%	Directors	Jun 2022
75 Owen St, Glendenning NSW	17,100	17,100	4.25%	3.75%	5.75%	5.00%	Directors	Dec 2021
8 Hexham Place, Wetherill Park NSW	12,200	12,200	4.25%	3.75%	5.50%	5.00%	Directors	Dec 2021
QLD								
46 Robinson Rd E, Virginia QLD	290,000	300,000	4.25%	3.75%	6.50%	5.50%	Savills	Dec 2022
60-80 Southlink St, Parkinson QLD	59,700	59,700	4.50%	4.38%	6.00%	5.75%	Directors	Jun 2022
1 Lahrs Rd, Ormeau QLD	55,000	55,000	4.50%	4.38%	6.00%	5.50%	Savills	Dec 2022

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2022 Valuer	Last independent valuation date
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 %	30 Jun 2022 %	31 Dec 2022 %	30 Jun 2022 %		
22 Hawkins Cres, Bundamba QLD	53,500	56,200	5.00%	4.63%	6.00%	5.75%	Directors	Dec 2021
33-37 Mica St, Carole Park QLD	39,500	39,500	5.25%	5.00%	6.25%	6.00%	Directors	Jun 2022
149 Kerry Rd, Archerfield QLD	38,750	38,000	5.00%	4.75%	6.00%	5.75%	JLL	Dec 2022
21 Jay St, Mount St John, Townsville QLD*	35,000	36,700	5.75%	5.00%	6.50%	6.25%	Directors	Dec 2021
69 Rivergate Pl, Murarrie QLD	34,000	34,300	5.25%	5.00%	6.00%	5.75%	Directors	Dec 2021
46 Gosport St, Hemmant QLD	32,200	32,200	5.25%	5.00%	6.00%	5.50%	Directors	Jun 2022
680 Boundary St, Richlands QLD	31,000	29,600	5.25%	5.00%	6.25%	5.75%	Directors	Jun 2022
1 Ashburn Rd, Bundamba QLD#	26,650	59,200	5.00%	4.50%	6.00%	5.50%	Directors	Jun 2022
Lot 5 243 Bradman Street, Acacia Ridge QLD	26,600	26,600	4.50%	4.25%	6.00%	5.75%	Directors	Jun 2022
616 Boundary Rd, Richlands QLD	22,850	24,000	5.75%	5.50%	6.25%	6.00%	Directors	Dec 2021
55 Musgrave Road, Coopers Plains QLD	22,300	22,000	5.50%	5.00%	6.25%	5.75%	Savills	Dec 2022
51 Depot St, Banyo QLD	21,800	21,800	4.50%	4.25%	6.00%	5.25%	Directors	Jun 2022
31 Gravel Pit Road, Darra QLD	19,100	19,100	5.00%	4.75%	6.25%	5.75%	Directors	Jun 2022
35 Cambridge St, Coorparoo QLD	15,500	15,500	5.25%	5.00%	6.25%	6.00%	Directors	Dec 2021
42 Hoepner Rd, Bundamba QLD#	11,200	24,300	5.00%	4.75%	6.25%	5.50%	Directors	Jun 2022
24 West Link Pl, Richlands QLD	10,800	10,800	5.25%	5.00%	6.00%	5.75%	Directors	Dec 2021
43-45 Mica St, Carole Park QLD	2,100	2,100	5.25%	5.00%	-%	-%	Directors	Jun 2022
WA								
310 Spearwood Ave, Bibra Lake WA	76,500	75,000	6.00%	5.75%	6.75%	6.50%	JLL	Dec 2022
Lot 14 Sudlow Rd, Bibra Lake WA	45,200	45,000	6.00%	5.75%	7.00%	6.50%	Directors	Jun 2022
48-54 Kewdale Road, Welshpool WA	37,800	37,500	6.00%	5.50%	7.50%	6.85%	CBRE	Dec 2022
23 Selkis Rd, Bibra Lake WA	31,100	30,300	5.25%	5.00%	6.75%	5.75%	Directors	Jun 2022
16-18 Baile Rd, Canning Vale WA	22,300	22,300	5.50%	5.25%	6.75%	5.75%	Directors	Dec 2021
103 Stirling Cres, Hazelmere WA	20,600	20,600	5.75%	5.50%	7.00%	6.75%	Directors	Jun 2022
92 Robinson Rd, Belmont WA	13,750	13,750	6.00%	5.75%	7.50%	6.50%	Savills	Dec 2022
204-208 Bannister Road, Canning Vale WA**	15,910	10,050	-%	-%	-%	-%		
155 Lakes Rd, Hazelmere WA	11,600	11,500	5.50%	5.25%	6.75%	6.50%	Directors	Jun 2022

Trust's assets and liabilities

C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2022 Valuer	Last independent valuation date
	31 Dec 2022 \$'000	30 Jun 2022 \$'000	31 Dec 2022 %	30 Jun 2022 %	31 Dec 2022 %	30 Jun 2022 %		
SA								
23-41 Galway Ave, Marleston SA	40,500	40,500	4.88%	4.75%	6.50%	6.25%	JLL	Dec 2022
32-54 Kaurna Ave, Edinburgh Park SA	25,000	25,500	5.00%	4.75%	6.50%	6.25%	CBRE	Dec 2022
27-30 Sharp Court, Caven SA	23,250	23,254	4.25%	4.25%	6.00%	5.25%	Directors	Jun 2022
9-13 Caribou Dr, Direk SA	12,700	12,700	5.50%	5.25%	6.25%	6.00%	Directors	Dec 2021
15-19, Caribou Drive, Direk SA**	2,330	2,297	-	-	-	-	Directors	Dec 2021
ACT								
54 Sawmill Cct, Hume ACT*	24,150	24,150	5.00%	4.75%	6.25%	5.75%	Directors	Dec 2021
Consolidated investment properties	3,797,131	4,066,426						
52-74 Quarry Rd, Erskine Park NSW	14,433	-	4.25%	-	5.75%	-	Directors	Jun 2022
29 Glendenning Rd, Glendenning NSW	35,394	-	4.25%	-	5.75%	-	Directors	Dec 2021
8 Lexington Dr, Bella Vista NSW	18,207	-	4.25%	-	5.75%	-	Directors	Jun 2021
Investment properties equity accounted	68,034	-						
Investment properties portfolio	3,865,165	4,066,426						

* 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 Trust disposed 50% of these properties on 15 December 2022 and the combined value are \$115.6 million.

The Trust disposed 49% of the owner sub-trusts for these properties on 15 December 2022 for \$65.3 million. Due to the 49% owner sub-trust disposal, these properties are de-consolidated from the Trust's investment properties. The value of these properties are accounted for as part of the Equity accounted investments (Note C3).

** These properties are under development and the value as at 31 December 2022 is based on development progress.

The Trust's weighted average capitalisation rate as at 31 December 2022 is 4.66% (30 June 2022: 4.19%).

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.

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).

Fair Value at 31 December 2022 \$'000	Capitalisation rate impact	
	+0.25%	-0.25%
3,797,131	\$'000 (192,100)	\$'000 214,800

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 2022 \$'000	30 June 2022 \$'000
30 Clay Pl, Eastern Creek NSW	-	34,500
	-	34,500

The Trust sold 30 Clay Place, Eastern Creek NSW for a gross sale price of \$34.5 million on 30 November 2022.

Trust's assets and liabilities

C3 Equity accounted investments

During the half year, the Trust entered into a strategic partnership formed with an investment vehicle sponsored by Morgan Stanley Real Estate Investing (MSREI) to acquire 49% interest of three CIP controlling entities and 50% interest of five properties from CIP. The sale transaction was completed on 14 December 2023. As part of this transaction, 49% of the underlying interest in the sub trusts carrying these properties were disposed, resulting in the retention of a 51% non controlling stakes. Whilst these assets continue to be managed by the Responsible Entity, the need for joint decision making across a number of material financial and operating matters under the terms of the sale deeds results in the loss of control with significant influence and therefore equity accounting adopted as the most appropriate basis for reporting these equity stakes.

Set out below are the associates of the Trust as at 31 December 2021 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.

	31 December 2022 %	30 June 2022 %	Principal activity	Carrying amount	
				31 December 2022 \$'000	30 June 2022 \$'000
AIR Erskine Park Trust	51	-	Property investments	14,564	-
AIR Glendenning 2 Trust	51	-	Property investments	35,549	-
CIP Sub Trust No. 33	51	-	Property investments	18,340	-
				68,453	-

The below table shows the movement in carrying amounts of equity accounted investments for the half year ended 31 December 2022.

Movement in carrying amount of equity accounted investments	AIR			Total \$'000
	AIR Erskine Park Trust \$'000	Glendenning 2 Trust \$'000	CIP Sub Trust No. 33 \$'000	
Opening balance as at 1 July 2022	-	-	-	-
Investment	14,499	35,365	18,279	68,143
Share of profit	65	184	61	310
Closing balance as at 31 December 2022	14,564	35,549	18,340	68,453

C4 Borrowings

	31 December 2022 \$'000	30 June 2022 \$'000
Non-current		
Unsecured		
Unsecured loan - variable	785,200	927,200
Unsecured medium term note (A\$MTN) - fixed	350,000	350,000
Unsecured loan - fixed	100,000	100,000
Borrowing costs	(3,814)	(4,171)
	1,231,386	1,373,029

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

Trust's assets and liabilities

C4 Borrowings (continued)

As at 31 December 2022, the Trust had the following debt facilities:

	31 December 2022 \$'000	30 June 2022 \$'000
Unsecured loan facility		
Facilities limit	1,610,000	1,610,000
Facilities unused	(374,800)	(232,800)
Facilities used	<u>1,235,200</u>	<u>1,377,200</u>

At the end of the half year period, the Trust had 76.9% of its drawn debt hedged (30 June 2022: 61.7%).

As at 31 December 2022, the Trust had \$450.0 million (30 June 2022: \$450.0 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 \$950.0 million (30 June 2022: \$850.0 million).

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.

C5 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:

Type of contract	Maturity date	%	Notional amount of contract \$'000	Fair value of contracts \$'000
Current				
31 December 2022				
Interest rate swap	30 Jun 2023	0.33	100,000	1,870
Interest rate cap	15 Jun 2023	2.00	200,000	1,150
Total current interest rate swaps			<u>300,000</u>	<u>3,020</u>
Non-current				
31 December 2022				
Interest rate swap	28 Jun 2024	0.54	50,000	2,497
Interest rate swap	30 Jun 2024	0.54	50,000	2,493
Interest rate swap*	16 Dec 2024	1.00	350,000	20,078
Interest rate swap*	16 Dec 2027	BBSY	(350,000)	(38,936)
Interest rate swap	15 Dec 2025	3.29	100,000	1,176
			<u>200,000</u>	<u>(12,692)</u>
Non-current swaps with a future start date				
Interest rate swap	16 June 2025	3.05	100,000	2,033
Interest rate swap	15 June 2026	3.39	100,000	1,937
			<u>3,970</u>	<u>(8,722)</u>
Total non-current interest rate swaps				<u>(8,722)</u>

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

Trust's assets and liabilities

C6 Issued capital

	31 December 2022		30 June 2022	
	Units '000	\$'000	Units '000	\$'000
Opening balance	634,931	1,840,488	551,808	1,531,361
Units issued	-	-	79,642	302,611
Distribution reinvestment plan ('DRP')	-	-	3,481	13,141
Equity raising costs	-	(14)	-	(6,625)
Closing balance	634,931	1,840,474	634,931	1,840,488

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
Natalie Collins
Jennifer Cook
Peter Done

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.

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:

Other notes

D2 Related parties (continued)

Responsible entity fees and other transactions (continued)

	31 December 2022 \$'000	31 December 2021 \$'000
Management fees	12,365	10,121
Project management fees	2,135	132
Property management fees	1,232	1,032
Custodian fees	971	794
Facility management fees	821	544
Leasing fees	738	1,145
Due diligence acquisition fees	25	425
	<u>18,287</u>	<u>14,193</u>

At reporting date an amount of \$3,412,163 (31 December 2021: \$2,498,973) 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 2022, the Trust did not hold any units in the related parties of the Responsible Entity (30 June 2022: nil).

Units in the Trust held by related parties

At 31 December 2022, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
31 December 2022		
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%
Roger Dobson	70,703	0.01%
Centuria Balanced Fund	385,129	0.06%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
	<u>102,463,522</u>	<u>16.13%</u>
30 June 2022		
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	50,703	0.01%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
	<u>102,443,522</u>	<u>16.13%</u>

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

D2 Related parties (continued)

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

The Trust has committed to two construction projects during the half year period:

- 204-208 Bannister Road, Canning Vale WA: Estimated total development cost of \$18.5 million plus GST. As at 31 December the Trust has spent \$3.5 million (plus GST) on this development project.
- 90 Bolinda Road, Campbellfield VIC: Estimated total development cost of \$71.8 million plus GST and the Trust has spent \$6.3 million (plus GST) on this development project at reporting date.

D4 Events subsequent to reporting date

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 2022

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 2022 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
31 January 2023



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 Trust).

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 **Trust's** financial position as at 31 December 2022 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 profit or loss and other comprehensive income;
- Consolidated interim statement of financial position;
- Consolidated interim statement of changes in equity;
- Consolidated interim statement of cash flows;
- Notes A1 to D4 comprising a summary of significant accounting policies and other explanatory information; and
- The Directors' Declaration.

The **Group** comprises of the Trust and the entities it controlled at the half-year or from time to time during the interim period.

The **half-year** is the 6 months ended on 31 December 2022.

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 Interim Financial Report* section of our report.

We are independent of the Trust 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 Centuria Property Fund No. 2 Limited (the Responsible Entity of the Trust) 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 Trust's financial position as at 31 December 2022 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 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

Peter Zabaks

Partner

Sydney

31 January 2023