

# Centuria

**Centuria Industrial REIT  
and its subsidiaries**

**ARSN 099 680 252**

**Interim Financial Report  
For the half-year ended 31 December 2023**

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

# Centuria Industrial REIT

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# Directors' report

## For the half-year ended 31 December 2023

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 2023 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:

<b>Name</b>	<b>Appointed</b>	<b>Directorship of other listed companies</b>
Roger Dobson	01 Oct 2017	
Natalie Collins	29 Jul 2020	
Jennifer Cook	01 Jul 2021	
Peter Done	26 Jun 2017	Centuria Capital Limited*

\* Resigned on 17 November 2023.

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

<b>Name</b>	<b>Appointed</b>
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 profit from continuing operations for the half-year ended 31 December 2023 was \$12,178,000 (31 December 2022: \$45,646,000 loss).

As at 31 December 2023, the Trust's Net Tangible Assets ('NTA') was \$3.89 per unit, representing a 0.7 cents per unit ('cpu') decrease (30 June 2023: \$3.96).

**Review of operations (continued)**

**Results (continued)**

The Funds From Operations ('FFO') for the half-year ended 31 December 2023 were \$54.1 million. This was a 0.02% 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 2023 \$'000	31 December 2022 \$'000
<b>Net profit/(loss) for the year</b>	<b>12,178</b>	<b>(45,646)</b>
<b>Adjustments:</b>		
Net loss on fair value of investment properties	31,969	93,209
Straight-lining of rental income	(3,005)	(5,335)
Rent free and abatement	5,352	4,860
Amortisation of incentives and leasing fees	2,274	2,246
Loss on fair value of derivative financial instruments	7,840	4,366
Transaction costs	38	386
Adjustment for non FFO equity accounted items	(2,526)	20
<b>Funds from operations</b>	<b>54,120</b>	<b>54,106</b>

**Investment property valuations**

The total value of the Trust's portfolio including investment properties held for sale and investment properties in the equity accounted investments as at 31 December 2023 was \$3,795.4 million (30 June 2023: \$3,838.7 million), a decrease of 1.1% for the half-year period and a decrease of 0.7% on a like for like basis.

The weighted average capitalisation rate for the portfolio softened 38 basis points to 5.64% as at 31 December 2023 (30 June 2023: 5.26%).

**Leasing and occupancy**

The Trust secured 108,821 square metres ('sqm') of leases across 17 transactions for the half-year ended 31 December 2023. This represented 8.0% of the portfolio's gross lettable area.

At 31 December 2023 the Trust's portfolio was 97.2% occupied and the remaining lease expiry for the year ending 30 June 2024 represents 5.1% of portfolio income. CIP's weighted average lease expiry ('WALE') as at 31 December 2023 was 7.5 years (30 June 2023: 7.7 years).

**Capital management**

As at 31 December 2023, the Trust had debt facilities and exchangeable notes totalling \$1,599.4 million (30 June 2023: \$1,597.2 million) with a weighted average expiry of 3.6 years (30 June 2023: 4.1 years).

Drawn borrowings totalled \$1,301.4 million (30 June 2023: \$1,293.2 million), and the all-in interest cost (made up of interest expense and line fees) as at 31 December 2023 was 3.5% (30 June 2023: 3.2%). The Trust had 87.6% of its drawn debt hedged (30 June 2023: 87.9%) through a combination of swaps and fixed rate borrowings. The Trust's gearing ratio as at 31 December 2023 was 33.7% (30 June 2023: 33.1%).

Moody's Investor Services has maintained the Trust at a Baa2 issuer rating with a stable outlook.

**Review of operations (continued)**

**Outlook**

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

At the beginning of the half year period, the Responsible Entity announced FFO guidance for the year ending 30 June 2024 was expected to be 17.0 cpu. As of the date of this report, the Responsible Entity has upgraded the FFO to 17.2 cpu. The distribution guidance remain unchanged at 16.0 cpu and will be paid in equal quarterly instalments.

**Distributions**

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

	31 December 2023		31 December 2022	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.00	25,397	4.00	25,397
December quarter	4.00	25,397	4.00	25,397
Total	8.00	50,794	8.00	50,794

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 Dec 2023
Record date	29 Dec 2023
Distribution payment date	31 Jan 2024

**Distribution reinvestment plan**

The Trust did not activate the Distribution Reinvestment Plan ('DRP') during the half year ended 31 December 2023.

**Events subsequent to balance date**

On 6 February 2024, the Trust entered into an unconditional contract and paid a 5% deposit for the acquisition of 11 Hexham Place, Wetherill Park NSW for a purchase price of \$11.5 million. The settlement is expected to occur in April 2024.

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.

**Likely development**

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

**Investment property portfolio**

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

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

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

### Likely development (continued)

#### **Co-Investments**

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

#### **Developments**

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

#### **Leasing and occupancy**

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

#### **Capital management**

The Trust accesses capital markets and borrowings to fund acquisitions as well as capital improvement activities. The Trust borrows funds from several sources and across a number of financial instruments including, loans, Australian dollar medium term notes and exchangeable notes. The Trust is exposed to a variety of financial risks as a result of these borrowings. These potential risks include market risk (interest rate risk), credit risk and liquidity risk. The Trust's risk management and investment policies seek to minimise the potential adverse effects of these risks on the Trust's financial performance.

#### **Liability risk events**

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

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

#### **Auditor's independence declaration**

The auditor's independence declaration required under Section 307C of the Corporations Act 2001 is set out on page 6 and forms part of the Directors' report for the half-year ended 31 December 2023.

#### **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.

## Directors' report

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



Roger Dobson  
Director



Peter Done  
Director

Sydney  
7 February 2024



# 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 2023 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

7 February 2024



# Centuria Industrial REIT Interim Financial Report

For the half-year ended 31 December 2023

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

For the half-year ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
<b>Revenue</b>			
Rent and recoverable outgoings	B2	108,515	110,945
<b>Total revenue</b>		<b>108,515</b>	<b>110,945</b>
<b>Other income</b>			
Interest income		646	421
Other income		2,026	1,569
Share of net profit of equity accounted investments	C3	3,894	310
<b>Total other income</b>		<b>6,566</b>	<b>2,300</b>
<b>Total revenue and other income</b>		<b>115,081</b>	<b>113,245</b>
<b>Expenses</b>			
Rates, taxes and other property outgoings		24,140	23,661
Finance costs	B3	25,267	22,967
Management fees	D2	11,633	12,365
Net loss on fair value of derivative and other financial instruments		7,840	4,366
Other expenses		2,054	2,323
Net loss on fair value of investment properties	C1	31,969	93,209
<b>Total expenses</b>		<b>102,903</b>	<b>158,891</b>
<b>Net profit/(loss) for the period</b>		<b>12,178</b>	<b>(45,646)</b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period		-	-
<b>Total comprehensive income/(loss) for the period</b>		<b>12,178</b>	<b>(45,646)</b>
<b>Basic and diluted earnings per unit</b>			
Basic and diluted earnings per unit (cents per unit)		1.92	(7.19)

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 2023

	Note	31 December 2023 \$'000	30 June 2023 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		34,776	20,868
Trade and other receivables		12,908	16,366
Derivative financial instruments	C5	12,107	3,943
Other assets		-	538
Investment properties held for sale	C2	21,600	59,100
<b>Total current assets</b>		<b>81,391</b>	<b>100,815</b>
<b>Non-current assets</b>			
Investment properties	C1	3,701,366	3,709,950
Equity accounted investments	C3	72,995	70,101
Derivative financial instruments	C5	3,745	25,923
<b>Total non-current assets</b>		<b>3,778,106</b>	<b>3,805,974</b>
<b>Total assets</b>		<b>3,859,497</b>	<b>3,906,789</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		34,974	43,794
Distributions payable		25,397	25,397
<b>Total current liabilities</b>		<b>60,371</b>	<b>69,191</b>
<b>Non-current liabilities</b>			
Borrowings	C4	1,298,428	1,289,856
Derivative financial instruments	C5	28,165	36,593
<b>Total non-current liabilities</b>		<b>1,326,593</b>	<b>1,326,449</b>
<b>Total liabilities</b>		<b>1,386,964</b>	<b>1,395,640</b>
<b>Net assets</b>		<b>2,472,533</b>	<b>2,511,149</b>
<b>EQUITY</b>			
Issued capital	C6	1,840,488	1,840,488
Retained earnings		632,045	670,661
<b>Total equity</b>		<b>2,472,533</b>	<b>2,511,149</b>

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

# Consolidated interim statement of changes in equity

For the half-year ended 31 December 2023

	Note	Issued capital \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 1 July 2022</b>		1,840,488	848,857	2,689,345
Net (loss)/profit for the period		-	(45,646)	(45,646)
<b>Total comprehensive income for the period</b>		-	<b>(45,646)</b>	<b>(45,646)</b>
Equity raising costs		(14)	-	(14)
Distributions provided for or paid	B1	-	(50,794)	(50,794)
<b>Balance at 31 December 2022</b>		<b>1,840,474</b>	<b>752,417</b>	<b>2,592,891</b>
<b>Balance at 1 July 2023</b>		<b>1,840,488</b>	<b>670,661</b>	<b>2,511,149</b>
Net (loss)/profit for the period		-	12,178	12,178
<b>Total comprehensive loss for the period</b>		-	<b>12,178</b>	<b>12,178</b>
Distributions provided for or paid	B1	-	(50,794)	(50,794)
<b>Balance at 31 December 2023</b>		<b>1,840,488</b>	<b>632,045</b>	<b>2,472,533</b>

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

# Consolidated interim statement of cash flows

For the half-year ended 31 December 2023

	Note	31 December 2023 \$'000	31 December 2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		120,282	124,162
Payments to suppliers		(43,129)	(50,614)
Interest received		645	421
Interest paid		(24,722)	(19,866)
Distribution received		1,562	-
<b>Net cash generated by operating activities</b>		<b>54,638</b>	<b>54,103</b>
<b>Cash flows from investing activities</b>			
Payments for investment properties		(64,166)	(70,515)
Proceeds from sale of investment properties		68,398	149,778
Proceeds from sale of subsidiaries		-	65,332
<b>Net cash generated by investing activities</b>		<b>4,232</b>	<b>144,595</b>
<b>Cash flows from financing activities</b>			
Distribution paid		(50,794)	(52,858)
Proceeds from borrowings		51,000	79,200
Repayment of borrowings		(45,000)	(221,200)
Payments for borrowing costs		(168)	(116)
Payments for derivative financial instruments		-	(4,800)
Equity issue costs		-	(14)
<b>Net cash used in financing activities</b>		<b>(44,962)</b>	<b>(199,788)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,908</b>	<b>(1,090)</b>
Cash and cash equivalents at beginning of the period		20,868	26,604
<b>Cash and cash equivalents at end of period</b>		<b>34,776</b>	<b>25,514</b>

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

# Condensed notes to the interim financial report

For the half-year ended 31 December 2023

## 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* adopted by the Australian Accounting Standards Board (AASB) 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 2023.

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 7 February 2024.

#### 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 at the end of the reporting period. 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.

#### 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

In the current period, the Trust has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for the current reporting period. There was no material impact to the Interim Financial Report.

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.

### 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 2023		31 December 2022	
	Cents per unit	\$'000	Cents per unit	\$'000
September quarter	4.00	25,397	4.00	25,397
December quarter	4.00	25,397	4.00	25,397
Total	8.00	50,794	8.00	50,794

Key dates in connection with the December quarter distribution are:

Event	Date
Ex-distribution date	28 Dec 2023
Record date	29 Dec 2023
Distribution payment date	31 Jan 2024

### B2 Revenue

	31 December 2023	31 December 2022
	\$'000	\$'000
Rental income	86,920	88,851
Recoverable outgoings	18,590	16,759
Straight-lining of lease revenue	3,005	5,335
	108,515	110,945

### B3 Finance costs

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

	31 December 2023	31 December 2022
	\$'000	\$'000
Interest expense	24,782	22,509
Amortisation of borrowing costs	485	458
	25,267	22,967

## C Trust's assets and liabilities

### C1 Investment properties

	31 December 2023 \$'000	30 June 2023 \$'000
<b>Opening balance</b>	<b>3,709,950</b>	4,066,426
Purchase price of investment properties	<b>10,493</b>	20,684
Stamp duty and other transaction costs	<b>689</b>	1,581
Capital improvements and associated costs	<b>2,127</b>	7,262
Capital developments and associated costs	<b>37,064</b>	90,973
	<u><b>50,373</b></u>	<u>120,500</u>
Net loss on fair value of investment properties	<b>(31,969)</b>	(183,300)
Add back: fair value loss on investment properties sold during the period	<b>2,874</b>	7,297
Loss on fair value of investment properties	<b>(29,095)</b>	(176,003)
Change in deferred rent and lease incentives	<b>2,405</b>	7,512
Change in capitalised leasing fees	<b>183</b>	(406)
Transfer from investment properties to equity accounted investments	<b>-</b>	(68,034)
Disposals at sale price	<b>(10,850)</b>	(180,945)
Closing gross balance	<b>3,722,966</b>	3,769,050
Add: Transfer from investment properties held for sale	<b>(21,600)</b>	(59,100)
<b>Closing balance<sup>^</sup></b>	<u><b>3,701,366</b></u>	<u>3,709,950</u>

<sup>^</sup> The carrying amount of investment properties includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$67.4 million (30 June 2023: \$64.8 million).



## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		Last independent Valuer	valuation date
	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 %	30 Jun 2023 %	31 Dec 2023 %	30 Jun 2023 %		
<b>VIC</b>								
Telstra Data Centre, Clayton VIC	<b>425,000</b>	448,500	<b>4.75%</b>	4.50%	<b>6.00%</b>	6.00%	JLL	Dec 2023
90 Bolinda Road, Campbellfield VIC (1)	<b>116,000</b>	80,000	<b>5.25%</b>	-%	<b>6.75%</b>	-%	JLL	Dec 2023
207-219 Browns Rd, Noble Park VIC	<b>75,750</b>	65,000	<b>6.00%</b>	5.75%	<b>7.25%</b>	6.75%	Savills	Dec 2023
45 Fulton Dr, Derrimut VIC	<b>62,500</b>	62,500	<b>5.38%</b>	5.25%	<b>6.63%</b>	6.50%	Directors	Dec 2022
324-332 Frankston-Dandenong Rd, Dandenong South VIC	<b>59,000</b>	59,000	<b>5.75%</b>	5.25%	<b>7.00%</b>	6.50%	Directors	Jun 2022
95-105 South Gippsland Hwy, Dandenong Sth VIC (2)	<b>51,650</b>	51,650	<b>5.25%</b>	4.75%	<b>6.75%</b>	6.25%	JLL	Dec 2023
24-32 Stanley Dr, Somerton VIC	<b>51,100</b>	44,300	<b>5.75%</b>	5.50%	<b>7.00%</b>	6.75%	C&W	Dec 2023
102-128 Bridge Rd, Keysborough VIC	<b>50,500</b>	52,750	<b>6.00%</b>	5.75%	<b>6.75%</b>	6.50%	Savills	Dec 2023
110 Northcorp Boulevard, Broadmeadows VIC	<b>41,500</b>	42,000	<b>5.25%</b>	5.00%	<b>6.50%</b>	6.25%	Directors	Dec 2022
2 Keon Pde, Keon Park VIC	<b>37,800</b>	39,000	<b>5.75%</b>	5.25%	<b>6.75%</b>	6.25%	Savills	Dec 2023
14-17 Dansu Ct, Hallam VIC	<b>37,500</b>	37,500	<b>5.50%</b>	5.25%	<b>6.75%</b>	6.50%	Directors	Jun 2022
500 Princes Hwy, Noble Park VIC	<b>34,800</b>	36,500	<b>6.13%</b>	5.75%	<b>6.75%</b>	6.50%	Savills	Dec 2023
75-79 and 105 Corio Quay Rd, North Geelong VIC	<b>33,500</b>	36,000	<b>6.50%</b>	6.25%	<b>6.75%</b>	7.50%	JLL	Dec 2023
513 Mt Derrimut Rd, Derrimut VIC	<b>27,500</b>	27,500	<b>5.75%</b>	5.50%	<b>6.75%</b>	6.50%	Directors	Dec 2022
590 Heatherton Road, Port Melbourne VIC	<b>27,000</b>	27,500	<b>5.50%</b>	5.00%	<b>6.75%</b>	6.25%	Directors	Jun 2022
12-13 Dansu Ct, Hallam VIC	<b>26,800</b>	26,800	<b>5.50%</b>	5.25%	<b>6.75%</b>	6.50%	Directors	Jun 2022
140 Fulton Dr, Derrimut VIC	<b>26,300</b>	26,300	<b>5.50%</b>	5.25%	<b>6.75%</b>	6.50%	Directors	Jun 2022
49 Temple Dr, Thomastown VIC	<b>23,250</b>	23,250	<b>5.75%</b>	5.25%	<b>6.75%</b>	6.25%	Directors	Dec 2022
51-65 Wharf Road, Port Melbourne VIC	<b>22,300</b>	20,900	<b>5.00%</b>	4.50%	<b>6.50%</b>	6.50%	C&W	Dec 2023
51-73 Lambeck Dr, Tullamarine VIC (3)	-	22,400	-%	5.50%	-%	6.75%	Directors	Jun 2023
30 Fulton Drive, Derrimut VIC	<b>21,000</b>	21,000	<b>5.75%</b>	5.50%	<b>6.75%</b>	6.50%	Directors	Jun 2023
179 Studley Crt, Derrimut VIC	<b>20,600</b>	20,600	<b>5.75%</b>	5.50%	<b>6.75%</b>	6.50%	Directors	Jun 2022
159 & 169 Studley Court, Derrimut VIC	<b>19,000</b>	19,000	<b>5.50%</b>	5.25%	<b>6.75%</b>	6.50%	Directors	Jun 2022
69 Studley Ct, Derrimut VIC (2)	<b>18,500</b>	18,500	<b>5.50%</b>	5.25%	<b>7.00%</b>	6.50%	Colliers	Dec 2023
870 Lorimer Street, Port Melbourne VIC	<b>15,500</b>	18,000	<b>5.00%</b>	4.50%	<b>7.25%</b>	6.25%	C&W	Dec 2023
119 Studley Court, Derrimut VIC	<b>15,250</b>	12,350	<b>5.75%</b>	5.50%	<b>7.50%</b>	6.50%	Colliers	Dec 2023
95 Fulton Dr, Derrimut VIC	<b>12,000</b>	12,000	<b>6.00%</b>	5.50%	<b>7.50%</b>	6.50%	Colliers	Dec 2023
346 Boundary Road, Derrimut VIC	<b>11,900</b>	11,900	<b>6.00%</b>	5.75%	<b>7.25%</b>	6.50%	C&W	Dec 2023
43-49 Wharf Road, Port Melbourne VIC	<b>11,500</b>	11,500	<b>5.00%</b>	4.50%	<b>6.75%</b>	6.50%	C&W	Dec 2023
40 Scanlon Dr, Epping VIC (2)	<b>10,000</b>	10,000	<b>5.75%</b>	5.75%	<b>7.00%</b>	6.75%	JLL	Dec 2023

## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2023 Valuer	Last independent valuation date
	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 %	30 Jun 2023 %	31 Dec 2023 %	30 Jun 2023 %		
31-35 Hallam South Road, Hallam VIC	8,000	6,200	6.00%	6.50%	6.75%	7.00%	JLL	Dec 2023
85 Fulton Drive, Derrimut, VIC	7,350	7,350	6.00%	5.50%	7.50%	6.75%	Colliers	Dec 2023
9 Fellowes Ct, Tullamarine VIC (4)	-	10,850	-%	5.50%	-%	6.75%		
<b>NSW</b>								
56-88 Lisbon Street, Fairfield NSW	200,500	200,500	5.50%	4.75%	7.00%	6.25%	KF	Dec 2023
2 Woolworths Way, Warnervale NSW	105,000	120,000	6.00%	5.75%	7.00%	6.25%	JLL	Dec 2023
67-69 Mandoon Rd, Girraween NSW	84,000	84,000	5.50%	5.25%	7.50%	6.25%	KF	Dec 2023
10 Williamson Rd, Ingleburn NSW	79,250	71,000	5.75%	5.25%	7.00%	6.50%	JLL	Dec 2023
92-98 Cosgrove Rd, Enfield NSW	73,400	73,400	5.50%	5.25%	7.00%	6.75%	Directors	Jun 2023
82 Rodeo Drive, Gregory Hills NSW	71,000	71,000	5.25%	4.75%	7.00%	6.50%	Directors	Jun 2023
37-51 Scrivener St, Warwick Farm NSW	70,000	70,000	5.50%	5.00%	6.75%	6.25%	Directors	Jun 2023
12 Williamson Rd, Ingleburn NSW	69,000	72,000	5.25%	4.75%	7.00%	6.50%	JLL	Dec 2023
457 Waterloo Rd, Chullora NSW	45,500	46,000	5.50%	5.00%	7.00%	6.50%	Colliers	Dec 2023
160 Newton Road, Wetherill Park NSW	41,100	41,100	5.75%	5.00%	7.25%	6.50%	Directors	Dec 2022
164 Newton Road, Wetherill Park NSW	39,000	39,000	5.75%	5.00%	7.25%	6.50%	Directors	Dec 2022
74-94 Newton Rd, Wetherill Park NSW	39,000	39,000	6.25%	5.50%	7.50%	6.50%	CBRE	Dec 2023
6 Macdonald Rd, Ingleburn NSW	33,500	33,500	5.50%	5.00%	7.00%	6.00%	Directors	Jun 2023
8 Penelope Cres, Arndell Park NSW	32,200	32,200	5.25%	4.88%	6.88%	6.50%	Directors	Dec 2022
29 Penelope Crescent, Arndell Park NSW	32,000	32,000	5.00%	4.88%	6.38%	6.25%	Colliers	Dec 2023
144 Hartley Rd, Smeaton Grange NSW	25,800	25,800	5.50%	5.00%	7.00%	6.50%	JLL	Dec 2023
75 Owen St, Glendenning NSW	16,600	17,100	5.38%	5.00%	7.00%	6.50%	Savills	Dec 2023
8 Hexham Place, Wetherill Park NSW	15,250	12,300	5.75%	5.00%	7.50%	6.25%	CBRE	Dec 2023
<b>QLD</b>								
46 Robinson Rd E, Virginia QLD	254,500	256,500	5.25%	5.00%	6.75%	6.50%	JLL	Dec 2023
60-80 Southlink St, Parkinson QLD	56,700	59,500	5.50%	5.25%	6.75%	6.50%	Directors	Jun 2023
1 Lahrs Rd, Ormeau QLD	52,000	55,000	5.75%	5.25%	7.00%	6.50%	Savills	Dec 2023
22 Hawkins Cres, Bundamba QLD	46,000	46,000	6.00%	5.50%	7.50%	7.25%	Directors	Jun 2023
33-37 Mica St, Carole Park QLD	39,500	39,500	6.25%	5.75%	7.75%	7.25%	Directors	Jun 2022
149 Kerry Rd, Archerfield QLD	38,750	38,750	6.00%	5.38%	7.25%	6.25%	Directors	Jun 2023
69 Rivergate Pl, Murarrie QLD	37,500	37,500	6.25%	5.75%	7.00%	6.50%	Directors	Jun 2023
46 Gosport St, Hemmant QLD	32,200	32,200	6.50%	6.00%	7.25%	6.75%	Savills	Dec 2023

## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2023 Valuer	Last independent valuation date
	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 %	30 Jun 2023 %	31 Dec 2023 %	30 Jun 2023 %		
680 Boundary St, Richlands QLD	<b>31,000</b>	31,000	<b>5.75%</b>	5.50%	<b>7.25%</b>	6.25%	CBRE	Dec 2023
21 Jay St, Mount St John, Townsville QLD (5)	<b>28,200</b>	29,600	<b>7.25%</b>	6.75%	<b>8.25%</b>	7.75%	Directors	Jun 2023
Lot 5 243 Bradman Street, Acacia Ridge QLD	<b>26,500</b>	26,500	<b>5.50%</b>	5.00%	<b>6.75%</b>	6.25%	Directors	Jun 2022
1 Ashburn Rd, Bundamba QLD (2)	<b>25,750</b>	26,650	<b>6.00%</b>	5.50%	<b>7.00%</b>	6.50%	Savills	Dec 2023
616 Boundary Rd, Richlands QLD	<b>24,000</b>	18,000	<b>7.00%</b>	6.75%	<b>8.00%</b>	7.50%	C&W	Dec 2023
55 Musgrave Road, Coopers Plains QLD	<b>22,300</b>	22,300	<b>6.50%</b>	6.00%	<b>7.75%</b>	7.25%	Directors	Dec 2022
51 Depot St, Banyo QLD	<b>21,250</b>	21,800	<b>5.50%</b>	5.00%	<b>7.00%</b>	6.25%	JLL	Dec 2023
31 Gravel Pit Road, Darra QLD	<b>19,100</b>	19,100	<b>6.25%</b>	5.50%	<b>7.50%</b>	6.75%	Directors	Jun 2022
35 Cambridge St, Coorparoo QLD	<b>14,750</b>	15,500	<b>6.25%</b>	5.75%	<b>7.50%</b>	6.50%	CBRE	Dec 2023
24 West Link Pl, Richlands QLD	<b>12,500</b>	11,200	<b>6.50%</b>	5.75%	<b>8.00%</b>	6.75%	C&W	Dec 2023
42 Hoepner Rd, Bundamba QLD (2)	<b>10,750</b>	11,750	<b>6.00%</b>	5.50%	<b>8.00%</b>	6.75%	C&W	Dec 2023
51 Musgrave Road, Coopers Plains QLD (6)	<b>10,750</b>	-	<b>7.00%</b>	-%	<b>7.50%</b>	-%	Directors	Mar 2023
43-45 Mica St, Carole Park QLD	<b>2,100</b>	2,100	<b>6.25%</b>	5.75%	<b>-%</b>	-%	Directors	Jun 2022
<b>WA</b>								
310 Spearwood Ave, Bibra Lake WA	<b>73,000</b>	76,500	<b>7.25%</b>	6.50%	<b>8.25%</b>	7.50%	CBRE	Dec 2023
Lot 14 Sudlow Rd, Bibra Lake WA	<b>44,000</b>	45,500	<b>7.00%</b>	6.50%	<b>8.00%</b>	7.50%	Directors	Jun 2022
48-54 Kewdale Road, Welshpool WA	<b>40,000</b>	37,800	<b>6.50%</b>	6.50%	<b>7.25%</b>	7.75%	Colliers	Dec 2023
23 Selkis Rd, Bibra Lake WA	<b>31,100</b>	31,100	<b>6.50%</b>	6.00%	<b>8.00%</b>	7.50%	Directors	Jun 2022
204-208 Bannister Road, Canning Vale WA (7)	<b>30,716</b>	25,500	<b>6.00%</b>	-%	<b>7.25%</b>	-%	JLL	Dec 2023
16-18 Baile Rd, Canning Vale WA	<b>26,000</b>	22,300	<b>6.63%</b>	6.50%	<b>7.25%</b>	7.00%	Colliers	Dec 2023
103 Stirling Cres, Hazelmere WA	<b>19,700</b>	20,500	<b>6.75%</b>	6.25%	<b>7.75%</b>	7.25%	Directors	Jun 2022
92 Robinson Rd, Belmont WA	<b>13,750</b>	13,750	<b>6.75%</b>	6.75%	<b>7.50%</b>	7.75%	C&W	Dec 2023
155 Lakes Rd, Hazelmere WA	<b>11,500</b>	11,500	<b>6.25%</b>	6.00%	<b>7.50%</b>	7.25%	Directors	Jun 2022
<b>SA</b>								
23-41 Galway Ave, Marleston SA	<b>40,500</b>	40,500	<b>5.50%</b>	5.25%	<b>7.25%</b>	7.00%	JLL	Dec 2023
32-54 Kaurna Ave, Edinburgh Park SA	<b>25,000</b>	25,000	<b>5.75%</b>	5.50%	<b>7.00%</b>	6.75%	Directors	Jun 2023
27-30 Sharp Court, Caven SA	<b>20,600</b>	23,250	<b>5.63%</b>	5.25%	<b>7.25%</b>	6.50%	CBRE	Dec 2023
9-13 Caribou Dr, Direk SA	<b>12,750</b>	12,750	<b>6.00%</b>	6.00%	<b>7.75%</b>	7.00%	CBRE	Dec 2023

## Trust's assets and liabilities

### C1 Investment properties (continued)

Property	Fair value		Capitalisation rate		Discount rate		31 Dec 2023 Valuer	Last independent valuation date
	31 Dec 2023 \$'000	30 Jun 2023 \$'000	31 Dec 2023 %	30 Jun 2023 %	31 Dec 2023 %	30 Jun 2023 %		
<b>ACT</b>								
54 Sawmill Cct, Hume ACT (5)	23,300	24,150	5.75%	5.25%	6.50%	6.50%	JLL	Dec 2023
<b>Land holdings (7)</b>								
50-64 Mirage Road, Direk SA	8,400	8,400	-%	-%	-%	-%	Directors	Jun 2023
15-19 Caribou Drive, Direk SA	2,500	2,500	-%	-%	-%	-%	Directors	Dec 2021
<b>Consolidated investment properties</b>	<b>3,701,366</b>	<b>3,709,950</b>						
29 Glendenning Rd, Glendenning NSW (8)	35,190	35,394	5.50%	5.00%	6.75%	6.25%	Savills	Dec 2023
52-74 Quarry Rd, Erskine Park NSW (8)	19,278	16,065	5.50%	4.88%	7.13%	6.50%	Colliers	Dec 2023
8 Lexington Dr, Bella Vista NSW (8)	17,978	18,207	5.25%	4.75%	7.25%	6.50%	Savills	Dec 2023
<b>Investment properties equity accounted</b>	<b>72,446</b>	<b>69,666</b>						
<b>Investment properties portfolio</b>	<b>3,773,812</b>	<b>3,779,616</b>						

## Trust's assets and liabilities

### **C1 Investment properties (continued)**

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

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

(3) 51-73 Lambeck Dr, Tullamarine VIC was classified as investment property held for sale. Refer to Note C2 for more information.

(4) The Trust sold 9 Fellowes Ct, Tullamarine VIC on 30 October 2023 for \$10.85 million.

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

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

(7) Land holdings for upcoming developments

(8) The Trust owns 51% of the owner sub-trusts for these properties and has joint control over these sub-trusts. These properties are not consolidated in the Trust's investment properties and the 51% ownership of the net assets is accounted for as Equity accounted investments (Note C3).

The Trust's weighted average capitalisation rate as at 31 December 2023 is 5.64% (30 June 2023: 5.26%).

## 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 2023 \$'000	Capitalisation rate impact	
	+0.25% \$'000	-0.25% \$'000
3,701,366	(168,000)	184,700

### 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 2023 \$'000	30 June 2023 \$'000
1 International Dr, Westmeadows VIC	-	59,100
51-73 Lambeck Dr, Tullamarine VIC	21,600	-
	<u>21,600</u>	<u>59,100</u>

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

## Trust's assets and liabilities

### C3 Equity accounted investments

Set out below are the associates of the Trust as at 31 December 2023 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 2023	30 June 2023	Principal activity	Carrying amount	
				31 December 2023	30 June 2023
AIR Erskine Park Trust	51.00%	51.00%	Property investments	19,287	16,211
AIR Glendenning 2 Trust	51.00%	51.00%	Property investments	35,559	35,614
CIP Sub Trust No. 33	51.00%	51.00%	Property investments	18,149	18,276
				<u>72,995</u>	<u>70,101</u>

The below table shows the movement in carrying amounts of equity accounted investments for the half year ended 31 December 2023.

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	16,211	35,614	18,276	70,101
Share of profit	3,272	479	143	3,894
Distributions received/receivable	(196)	(534)	(270)	(1,000)
Closing balance	<u>19,287</u>	<u>35,559</u>	<u>18,149</u>	<u>72,995</u>

## Trust's assets and liabilities

### C3 Equity accounted investments (continued)

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

Summarised balance sheet	AIR	AIR	AIR	Total \$'000
	Erskine Park Trust \$'000	Glendenning 2 Trust \$'000	Sub Trust No. 33 \$'000	
Cash and other cash equivalents	258	1,364	141	1,763
Other current assets	29	75	29	133
<b>Total current assets</b>	<b>287</b>	<b>1,439</b>	<b>170</b>	<b>1,896</b>
Investment properties	37,800	69,000	35,250	142,050
<b>Total non-current assets</b>	<b>37,800</b>	<b>69,000</b>	<b>35,250</b>	<b>142,050</b>
Other current liabilities	259	690	(168)	781
<b>Total current liabilities</b>	<b>259</b>	<b>690</b>	<b>(168)</b>	<b>781</b>
Other non-current liabilities	11	27	-	38
<b>Total non-current liabilities</b>	<b>11</b>	<b>27</b>	<b>-</b>	<b>38</b>
<b>Total net assets</b>	<b>37,817</b>	<b>69,722</b>	<b>35,588</b>	<b>143,127</b>
Trust's share in %	51.00%	51.00%	51.00%	51.00%
<b>Carrying amount</b>	<b>19,287</b>	<b>35,559</b>	<b>18,149</b>	<b>72,995</b>
Summarised statement of comprehensive income	AIR	AIR	AIR	Total \$'000
	Erskine Park Trust \$'000	Glendenning 2 Trust \$'000	Sub Trust No. 33 \$'000	
Revenue	841	1,810	1,195	3,846
Net gain on fair value of investment properties	5,921	(369)	(555)	4,997
Other expenses	(347)	(503)	(359)	(1,209)
<b>Profit for the period</b>	<b>6,415</b>	<b>938</b>	<b>281</b>	<b>7,634</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Trust's share in %	51.00%	51.00%	51.00%	51.00%
<b>Trust's share in \$</b>	<b>3,272</b>	<b>479</b>	<b>143</b>	<b>3,894</b>



## Trust's assets and liabilities

### C4 Borrowings

	31 December 2023 \$'000	30 June 2023 \$'000
<b>Non-current</b>		
<b>Unsecured</b>		
Unsecured loan - variable	562,000	556,000
Unsecured medium term note (A\$MTN) - fixed	350,000	350,000
Unsecured loan - fixed	100,000	100,000
Borrowing costs	(2,967)	(3,346)
<b>Unsecured borrowings at amortised cost</b>	<b>1,009,033</b>	<b>1,002,654</b>
Exchangeable notes at fair value	289,395	287,202
<b>Total borrowings</b>	<b>1,298,428</b>	<b>1,289,856</b>

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

As at 31 December 2023, the Trust had the following debt facilities:

	31 December 2023 \$'000	30 June 2023 \$'000
<b>Unsecured loan facility</b>		
Facilities limit	1,310,000	1,310,000
Facilities unused	(298,000)	(304,000)
<b>Unsecured loan facilities used</b>	<b>1,012,000</b>	<b>1,006,000</b>
Exchangeable notes	289,395	287,202
<b>Total loan facility</b>	<b>1,301,395</b>	<b>1,293,202</b>

At the end of the half year period, the Trust had 87.6% of its drawn debt hedged (30 June 2023: 87.9%).

As at 31 December 2023, the Trust had \$739.4 million (30 June 2023: \$737.2 million) of fixed rate borrowings of which \$350.0 million has been swapped into a floating rate exposure. At the end of the reporting period, the Trust's drawn debt which is on a fixed basis, after the impact of hedging, is \$1,139.4 million (30 June 2023: \$1,137.2 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
<b>Current assets</b>				
<b>31 December 2023</b>				
Interest rate swap	28 Jun 2024	0.54%	50,000	914
Interest rate cap	30 Jun 2024	0.54%	50,000	905
Interest rate swap	16 Dec 2024	1.00%	350,000	10,288
<b>Total</b>			<b>450,000</b>	<b>12,107</b>

## Trust's assets and liabilities

### C5 Derivatives (continued)

Type of contract	Maturity date	%	Notional amount of contract \$'000	Fair value of contracts \$'000
<b>Non-current assets</b>				
<b>31 December 2023</b>				
Interest rate swap	16 Jun 2025	3.05%	100,000	1,408
Interest rate swap	15 Dec 2025	3.29%	100,000	1,220
Interest rate swap	15 Dec 2026	3.39%	100,000	1,117
<b>Total</b>			<b>300,000</b>	<b>3,745</b>
<b>Non-current liabilities</b>				
<b>31 December 2023</b>				
Interest rate swap*	16 Dec 2027	BBSY	(350,000)	(27,345)
			(350,000)	(27,345)
<b>Non-current swaps with a future start date</b>				
Interest rate swap^	15 Jun 2026	3.94%	100,000	(347)
Interest rate swap^	15 Jun 2027	3.89%	100,000	(473)
			200,000	(820)
<b>Total</b>			<b>(150,000)</b>	<b>(28,165)</b>

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

^ The start date of these swaps is 15 June 2024.

### C6 Issued capital

	31 December 2023		30 June 2023	
	Units '000	\$'000	Units '000	\$'000
<b>Opening balance</b>	<b>634,931</b>	<b>1,840,488</b>	634,931	1,840,488
<b>Closing balance</b>	<b>634,931</b>	<b>1,840,488</b>	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 and the exchangeable notes. Derivative financial instruments are measured at fair value and have a level 2 designation in the fair value hierarchy. Exchangeable notes are measured at fair value and have a level 1 designation in the fair value hierarchy. There were no transfers between levels of the fair value hierarchy during the period.

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

#### 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% of the gross value of assets held plus GST.

## Other notes

### D2 Related parties (continued)

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

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 2023 \$'000	31 December 2022 \$'000
Management fees	11,633	12,365
Property management fees	1,063	1,232
Custodian fees	910	971
Facility management fees	817	821
Development management fees	689	2,062
Leasing fees	672	738
Project management fees	408	73
Due diligence acquisition fees	-	25
	<b>16,192</b>	<b>18,287</b>

At reporting date an amount of \$589,368 (31 December 2022: \$3,412,163) 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 2023, the Trust did not hold any units in the related parties of the Responsible Entity (30 June 2023: nil).

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

At 31 December 2023, the following related parties of the Responsible Entity hold units in the Trust:

	Closing units held	Closing interest held
<b>31 December 2023</b>		
Centuria Capital No. 2 Industrial Fund	77,319,885	12.18%
Centuria Capital No. 5 Fund	21,593,800	3.40%
Centuria Property Funds No. 2 Limited	2,181,086	0.34%
Centuria Growth Bond Fund	895,191	0.14%
Centuria Balanced Fund	385,129	0.06%
Roger Dobson	101,746	0.02%
John McBain	13,404	-%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
	<b>102,507,969</b>	<b>16.14%</b>

### D2 Related parties (continued)

#### Units in the Trust held by related parties (continued)

##### 30 June 2023

Centuria Capital No. 2 Industrial Fund	77,319,885	12.18%
Centuria Capital No. 5 Fund	21,593,800	3.40%
Centuria Property Funds No. 2 Limited	2,181,086	0.34%
Centuria Growth Bond Fund	895,191	0.14%
Centuria Balanced Fund	385,129	0.06%
Roger Dobson	70,703	0.01%
John McBain	13,404	-%
Simon Holt	6,535	-%
Jennifer Cook	5,729	-%
Natalie Collins	5,464	-%
	102,476,926	16.13%

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

#### Other transactions within the Trust

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

#### D3 Commitments

Unless otherwise stated in this report, the Trust has no contingent assets, liabilities or commitments as at 31 December 2023.

#### D4 Events subsequent to reporting date

On 6 February 2024, the Trust entered into an unconditional contract and paid a 5% deposit for the acquisition of 11 Hexham Place, Wetherill Park NSW for a purchase price of \$11.5 million. The settlement is expected to occur in April 2024.

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 2023

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; and
- (b) in the directors' opinion, the attached interim financial statements and notes A1 to D4 are in accordance with the Corporations Act 2001, including compliance with *AASB 134: Interim Financial Reporting*, 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 2023 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  
7 February 2024



# 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 2023 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 2023.

## 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 Funds 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 2023 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

7 February 2024