



ANNUAL REPORT 2016



INDUSTRIAREIT

Industria Trust No. 1 ARSN 125 862 875
Industria Trust No. 2 ARSN 125 862 491
Industria Trust No. 3 ARSN 166 150 938
Industria Trust No. 4 ARSN 166 163 186
Industria Company No. 1 Ltd ACN 010 794 957

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FY2016 Highlights

DISTRIBUTION
per security

15.5c

towards the top of the
15.2-15.6 cents per
security guidance range

New approach and
active management
at BTP has driven
PORTFOLIO
OCCUPANCY TO

96%

DISPOSED OF TWO
ASSETS AT AVERAGE

13%

premium to book value

Strong financial position,
with 30 June 2016
GEARING OF

33%

anticipated to reduce to
~28% post asset sales

Industria. Simple and transparent

Investing in quality and affordable workspaces

Strategy to grow through investing in office and industrial assets that:

- Provide businesses with attractively priced and well located workspaces
- Produce sustainable income and capital growth returns

Consistent and low-risk income generation

- Average 3% annual escalations underpin organic growth

Maintaining low-risk capital position

- Target leverage band 30 – 40%, well below covenant of 55%

Dedicated, aligned and experienced management team with over 15 years average direct real estate experience

- 55bps of Gross Asset Value – no additional transactional or performance fees
- Governed by independent Board
- Significant manager alignment – with 14% of IDR owned by manager

LETTER FROM THE FUND MANAGER



Dear Investor,

Financial year 2016 was a year of considerable progress for Industria REIT. The performance of the portfolio improved and we delivered a result towards the top of our guidance range, with key financial metrics including:

- Statutory Net Profit \$31.261 million and Funds From Operations \$21.535 million
- Distributions per security 15.5 cents
- Net Tangible Assets (NTA) \$2.12 per security

The Industria management team and our external partners have worked hard with our tenants to deliver these outcomes, and I would like to thank them for their commitment and dedication over the period. Leasing progress across the portfolio was particularly pleasing, with over 27,000 square metres leased including 13,000 square metres at Brisbane Technology Park (BTP). The leasing performance at Industria's BTP assets boosted occupancy from 73% to 91%, and de-risked future lease expiries across the portfolio – underpinning the income sustainability of Industria REIT. The leasing momentum resulted in total occupancy of 96%; however we expect vacancy to rise near-term as a number of tenants vacate at lease expiry.

Two asset sales at BTP were also agreed towards the end of the financial year – 7 Brandl and 85 Brandl St. These sales have now completed at a 10% and 30% premium to prior book values, and resulted in the repayment of debt and reduction in gearing to approximately 28%.

We have a simple and transparent philosophy for managing Industria REIT:

- To invest in quality and affordable industrial and office workspaces that produce sustainable income and capital growth returns
- To maintain a low risk capital position with target gearing of 30 – 40%
- To deliver the above outcomes with the oversight of an independent Board and strong management alignment

Post balance date, Industria REIT exchanged contracts to acquire the WesTrac Newcastle facility for \$158.6 million. This transaction is consistent with our desired approach for managing Industria REIT as it generates a relatively high initial yield of 7.25% growing at the greater of 3% or CPI per annum for 18 years. Furthermore, the triple-net structure of the lease places maintenance capex obligations on the tenant, enhancing total income returns. This acquisition was funded by way of a \$85.2 million equity raise and an additional \$85 million in debt, drawn from existing capacity and new facilities. Pro-forma gearing is 35%, the middle of the target gearing range.

Despite this exciting acquisition, our objectives for FY17 remain consistent: to drive leasing outcomes; and seek out attractive portfolio recycling and growth initiatives to enhance returns over the long term. Specifically, there will be a significant focus on BTP and Industria's asset at Rhodes C, where we have near-term lease expiries and vacancy to lease. I look forward to reporting to you on these matters in February 2017.

Thank you for your continued support.

Yours sincerely,

Alex Abell
Fund Manager,
Industria REIT



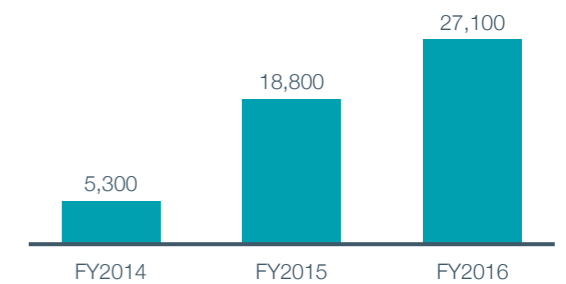
37 Brandl Street, BTP



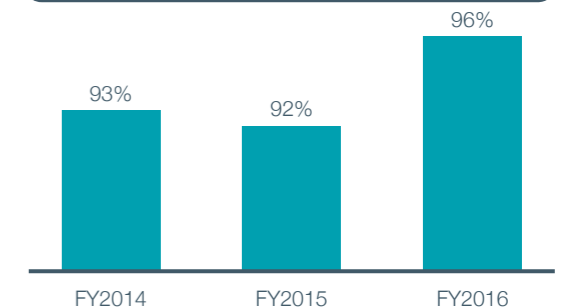
WestTrac Newcastle

Actively managing the portfolio

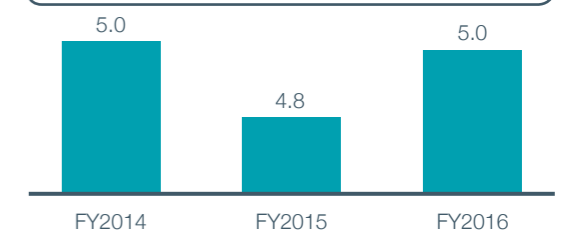
Leasing momentum



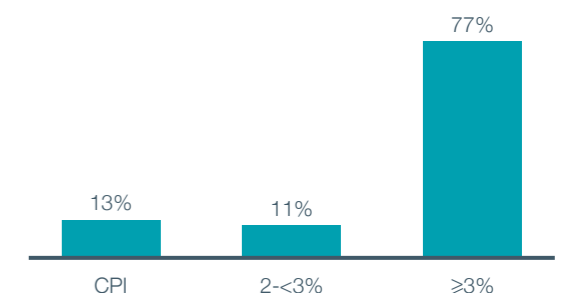
Occupancy trending higher



Maintaining high weighted average lease expiry (WALE)



Generating organic growth



About the Manager

The Responsible Entity and Manager of Industria REIT is APN Funds Management Limited (APN FM). APN FM is a wholly owned subsidiary of APN Property Group Limited (APN).

Established in 1996, APN is listed on the ASX and manages \$2.2 billion (as at 30 June 2016) of real estate and real estate securities. APN trades on the ASX under the code "APD".

APN's existing suite of funds spans direct property funds, property securities funds and Industria REIT (ASX: IDR).

APN's approach to real estate investment is based on a "property for income" philosophy.

APN has significant experience in managing real estate investments. Focusing exclusively on real estate over many years provides a depth of understanding which enables APN to deliver value to investors.

APN's ongoing strategy is driven by a commitment to investment performance and outstanding service. APN's competitive advantage is based on: expertise; track record; co-investment and alignment with investors; and strong governance.

To find out more about APN, please visit: www.apngroup.com.au

SENIOR MANAGEMENT



Alex Abell
Fund Manager

Alex started as Fund Manager of Industria REIT in April 2016. Alex has substantial experience across all the key areas of real estate funds management, including asset management, leasing, capital transactions, corporate finance and investor relations.

Prior to joining APN Property Group, Alex worked for one of Australia's largest managers of CBD office property, Investa Office - where he was the Assistant Fund Manager for the \$3.5 billion ASX-listed Investa Office Fund. Alex played a critical role in delivering IOF's strategy of selling offshore assets and reinvesting proceeds into the domestic market to establish a high quality portfolio of Australian CBD Office assets generating attractive risk-adjusted returns.

Alex has more than 13 years' experience in the property industry, and prior to Investa Office held a number of senior roles at Stockland and Halladale in the United Kingdom - where he managed a suite of funds between 2006 and 2010 - a period of rapid change in the market that provided invaluable experience across debt, equity and real estate markets. He holds a Bachelor of Commerce from the University of Newcastle and an Advanced Diploma of Financial Services.



David Avery
Senior Portfolio Manager

David has over 20 years' experience in the property industry, having held senior positions comprising property and investment management.

A Licensed Estate Agent, David was an Associate Director at Colliers International and held numerous senior positions over a period of 11 years in the management of landmark CBD and industrial assets for institutional investors, as well as new business generation and management of the Victorian property management team.

More recently, David held the position of Senior Asset Manager with Australand Property Group for a period of over nine years. Over this time, David was involved with many facets of property investment management incorporating acquisition, development, strategic management, leasing and divestment, with a portfolio responsibility of over \$850 million in value of major commercial and industrial assets. David was also a Responsible Officer for Australand Investments Limited, Australand Property Limited and Australand Funds Management Limited.

David holds an Associate Diploma in Valuations, a Graduate Diploma in Property, a Diploma in Property Investment and Finance and is a Licensed Estate Agent. He is a member of the Australian Property Institute.

APN EXECUTIVES



Chris Aylward
Executive Chairman

Chris is APN's Executive Chairman.

Chris has more than 30 years' experience in the Australian property and construction industry.

Prior to jointly establishing APN in 1996, Chris was a founding director of Grocon Pty Limited and had overall responsibility for the construction of commercial and retail properties in Sydney and Melbourne with a total value of over \$2 billion.

Chris has led the construction and development of the following high profile properties:

- Governor Phillip Tower in Sydney
- Governor Macquarie Tower in Sydney
- 120 Collins Street in Melbourne
- World Congress Centre in Melbourne



Tim Slattery
Executive Director

A Director since 12 September 2014.

Tim has over 12 years' of experience across real estate, funds management, investment banking and law.

Over Tim's career, he has practised law at Herbert Smith Freehills as a qualified corporate lawyer and worked in corporate finance advisory within Goldman Sachs' investment banking division.

Tim has worked on mergers, acquisitions and financing transactions worth several billion dollars within Australia and internationally including a number of significant commercial real estate transactions.

He has led both private and public capital raising projects for real estate investments and successfully completed asset acquisitions, sales and asset management projects across a range of different real estate asset classes.



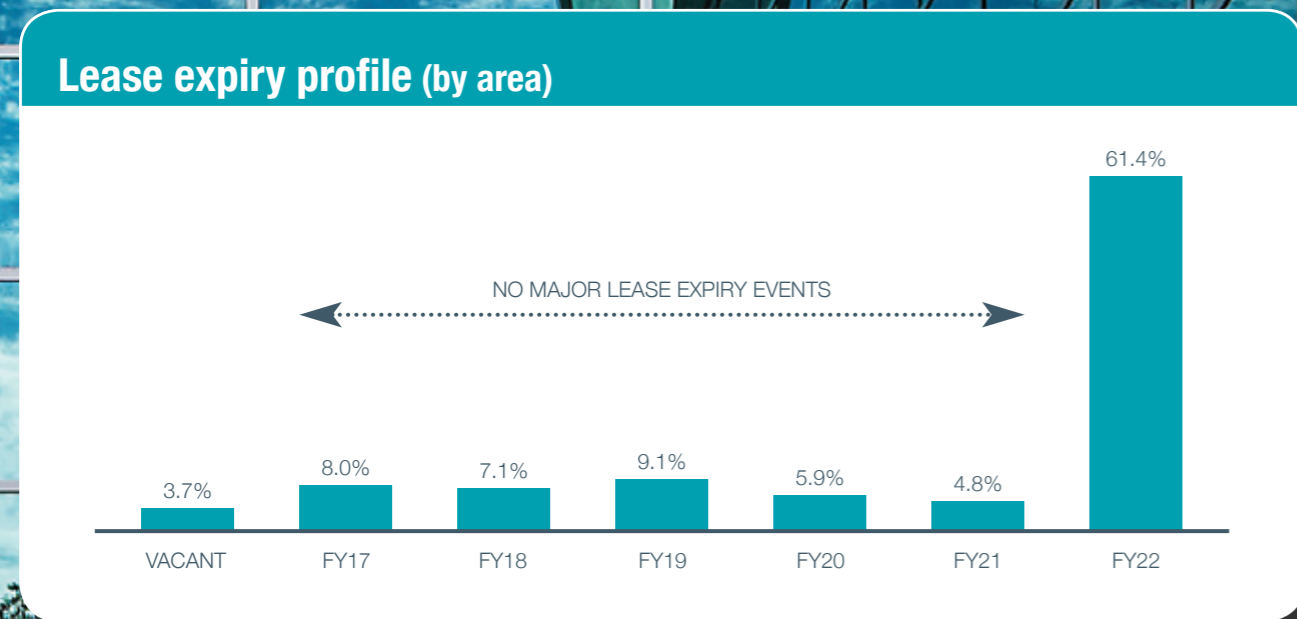
Michael Groth
Chief Financial Officer

Michael joined APN in 2006 and is responsible for all accounting, compliance and tax related matters for APN.

Prior to joining APN, Michael was with KPMG Melbourne for several years, where he worked closely with a number of major listed companies and stockbrokers. Michael also spent three years in London with various organisations including Abbey plc (now part of the Santander Group) and Ofgem.

FINANCIAL YEAR 2016 RESULTS

Key metrics (\$'000s unless otherwise stated)	30 June 2016	30 June 2015
STATUTORY NET PROFIT	\$31,261	\$22,772
FUNDS FROM OPERATIONS (FFO)	\$21,535	\$21,298
FFO PER SECURITY	17.5	17.25
DISTRIBUTION	\$19,068	\$20,131
DISTRIBUTION PER SECURITY	15.5	16.2
FFO PAYOUT RATIO (%)	88.5%	45.5%
TAX DEFERRED COMPONENT OF DISTRIBUTION	42.6%	45.5%
NET TANGIBLE ASSETS	\$261.2	\$299.8
NET TANGIBLE ASSETS PER SECURITY	\$2.12	\$2.02
GEARING	33.1%	33.4%



PORTFOLIO OVERVIEW

Industria portfolio overview as at 30 June 2016



Images from a clockwise direction from top right: 37 Brandl Street, BTP; Building A, 1 Homebush Bay Drive, Rhodes; 140 Sharps Road, Tullamarine and 5 Butler Boulevard, Adelaide Airport.

CONSERVATIVE BALANCE SHEET

Debt decreasing following asset sales

- Lower end of 30 – 40% leverage band – providing capacity to grow

DRAWN DEBT
\$140m

GEARING
33.1%

GEARING POST ASSET SALES
~28%

Staggered debt maturities

- Finance provided by NAB and ANZ – weighted average debt maturity of 3.3 years

TRANCHE A / C
\$92.5m
December 2018

TRANCHE B
\$72.5m
December 2020

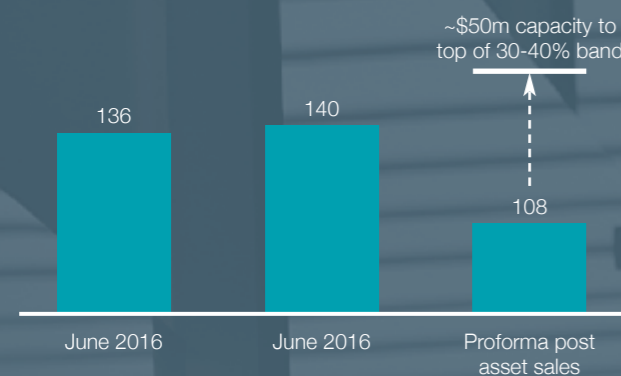
High interest cover

- ICR 5.2x; weighted average cost of debt 4.1%
- Average FY17 hedge rate ~3%

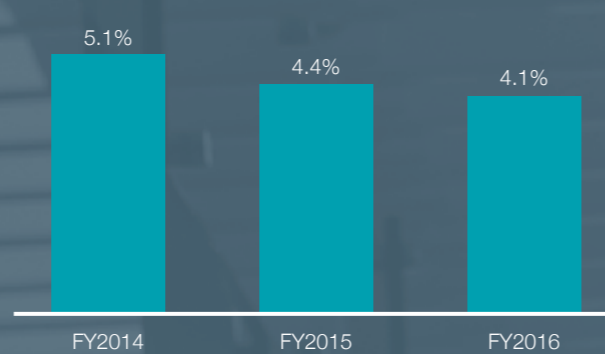
INTEREST COVER RATIO
5.2x

DEBT HEDGED
64%

Debt capacity



Weighted average interest cost



MARKET OVERVIEW

Investment activity remains strong

- Assets with long WALE's are highly sought after – as proven by 7 and 85 Brandl St sales
- However bank lending conditions are becoming more challenging, especially for assets with risk
- Industria will remain opportunistic – seeking out either office or industrial assets where pricing is favourable



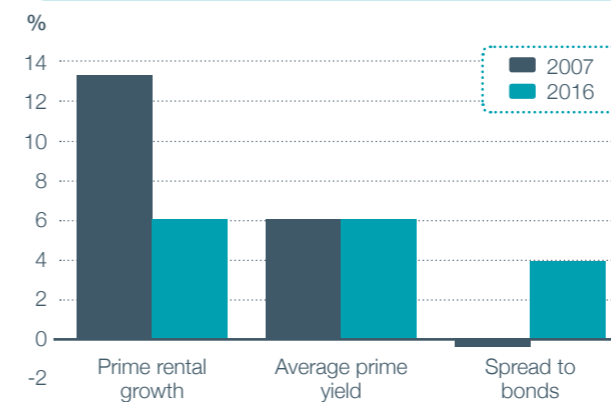
Rental growth is weak

- Most markets have struggled to absorb new supply – resulting in elevated incentives and weak market rental growth
- Sydney office is largely the exception, with stock withdrawal a major catalyst for 5.7% year on year rental growth
- In this low growth environment tenants remain sensitive to rent – emphasising the importance of affordable rent profiles

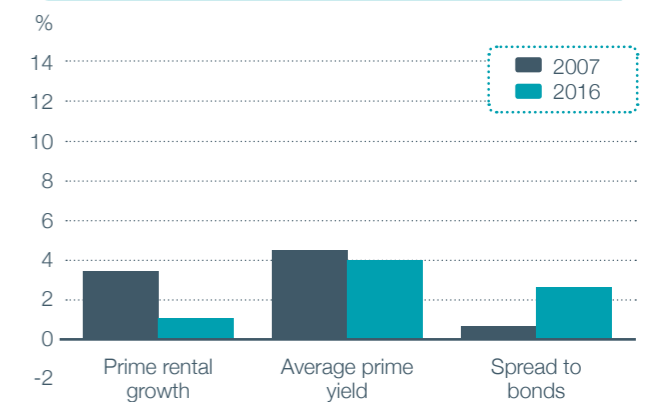


Yields are at 2007 levels despite weak fundamentals – underpinned by the spread to bonds

Office markets



Industrial markets



Note:
Gross rents and yields for Sydney, Melbourne and Brisbane - weighted by market; 10 year government bonds. Source: JLL; APN Property Group

BRISBANE TECHNOLOGY PARK ASSETS



BRISBANE TECHNOLOGY PARK (BTP)

Performing ahead of expectations

- Leased 13,100sqm, including over 5,200sqm of vacancy
- New approach that controls property management has proven critical to retaining tenants

Increased occupancy

73% FY15 **91%** FY16¹

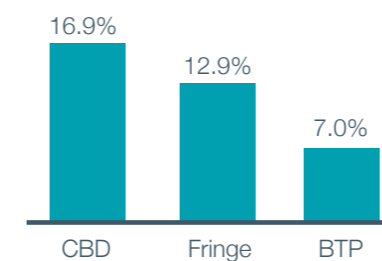
Established location

~500,000sqm

Major occupiers include:
Queensland Health
Transurban
Woolworths

Improving market dynamics

Vacancy²



Affordable rents

~\$330psm

and carparking ~\$5 per day



7 Clunies Ross Court and 17-19 McKechnie Drive, BTP



88 Brandl Street, BTP

8 Clunies Ross Court and 9 McKechnie Drive, BTP

¹ 89% post sale of 7 and 85 Brandl St

² PCA July 2016

RHODES ASSETS



RHODES ASSETS

Set to benefit from strong market dynamics

- Good enquiry over ~2,300 square metres of vacancy
- Confident the market will underpin lease-up throughout FY17

Solid occupancy

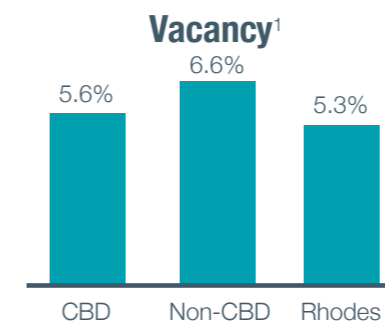
91% FY15 91% FY16¹

Established location

> 85,000sqm

Major occupiers include:
Link Market Services
Frasers Property Group
Nestle

Healthy market dynamic



Affordable rents

~\$370psm

compared to CBD ~\$900psm



Building A, 1 Homebush Bay Drive, Rhodes



Building C, 1 Homebush Bay Drive, Rhodes

INDUSTRIAL ASSETS

INDUSTRIAL ASSETS

Prime assets in gateway locations

- De-risked October 2016 expiry at South Park Dr, Dandenong South – with new 7 year lease over 10,000sqm – avoiding potential downtime and income loss
- Assets are 100% leased with limited near-term leasing risk

**Strong
occupancy**

100% FY15
100% FY16

**Modern,
relevant
properties**

Average age 9
years – minimal
near-term capex

**Established
locations**

Major Melbourne
and Adelaide
industrial
precincts

**Long
WALE**

**7.5
years**



140 Sharps Road, Tullamarine

1 PCA July 2016; APN Property Group

140 Sharps Road, Tullamarine

CORPORATE GOVERNANCE

Industria REIT comprises the following five entities (including their various subsidiary trusts and companies):

- Industria Trust No. 1;
- Industria Trust No. 2;
- Industria Trust No. 3;
- Industria Trust No. 4; and
- Industria Company No. 1 Limited.

Investors in Industria REIT hold stapled securities comprising the same proportionate interest in each of these five entities.

APN Funds Management Limited (APN FM) is the responsible entity of each of the four stapled trusts. APN FM is a wholly owned subsidiary of APN Property Group Limited, an ASX listed company. Industria Company No 1 Limited (Industria Co) is managed by its own board.

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (ASX Guidelines), unless otherwise stated.

CORPORATE GOVERNANCE

The Directors of APN Funds Management Limited during or since the end of the financial year are:



Geoff Brunson

BCom, FCA, F Fin, FAICD

Independent Non-Executive Chairman

- A Director since 2009.
- Chairman since 2012.
- A member of the Audit, Compliance & Risk Management Committee and the Nomination & Remuneration Committee.

Geoff has had a career in investment banking spanning more than 25 years. Until June 2009 he was Managing Director and Head of Investment Banking of Merrill Lynch International (Australia) Limited. He is Chairman of Sims Metal Management Limited (director since 2009), IPE Limited (director since 2004) and MetLife Insurance Limited (director since 2011).



Jennifer Horrigan

BBus, GradDipMgt, GradDipAppFin, MAICD

Independent Non-Executive Director

- A Director since 2012.
- Chairman of the Nomination & Remuneration Committee and a member of the Audit, Compliance & Risk Management Committee.

Jennifer brings 25 years' experience across investment banking, financial communications and investor relations. She was most recently the Chief Operating Officer in Australia of the independent investment bank Greenhill & Co. She has extensive experience in enterprise management, including the supervision and management of compliance, HR and financial management.

Jennifer is also a director of QV Equities (ASX: QVE), Redkite (national children's cancer charity) and the Breast Cancer Institute of Australia/Australia & New Zealand Breast Cancer Trials Group.



Michael Johnstone

BTTP, LS, AMP (Harvard)

Independent Non-Executive Director

- A Director since 2009.
- Chairman of the Audit, Compliance & Risk Management Committee and a member of the Nomination & Remuneration Committee.

Michael has 40 years of global business experience in chief executive and general management roles and more recently in non-executive directorships. He has lived and worked in overseas locations including the USA, has been involved in a range of industries and has specialised in corporate and property finance and investment, property development and funds management. His career has included lengthy periods in corporate roles including 10 years as one of the Global General Managers of the National Australia Bank Group. He has extensive experience in mergers and acquisitions, capital raising and corporate structuring.

Michael is a non-executive director of the Responsible Entity of the listed Folkestone Education Trust (since 2004) and a non-executive director of a number of companies in private environments including the not for profit sector.

CORPORATE GOVERNANCE



Howard Brenchley

BEC

Non-Executive Director

- A Director since 1998.

Howard has a long history in the Australian property investment industry with over 30 years' experience analysing and investing in the sector.

Howard joined APN in 1998 and was responsible for establishing the APN Funds Management business. In this capacity he developed a suite of new property securities and direct property funds, including the flagship APN Property for Income Fund, one of the largest property securities funds in Australia.

Prior to joining APN, Howard was co-founder and research director of Property Investment Research Pty Limited, one of Australia's leading independent research companies, specialising in the property trust sector.

Howard is also a director of APN Property Group Limited (since 1998); and National Storage Holdings Limited (since 2014) and National Storage Financial Services Limited (since 2015), both listed as National Storage REIT (ASX: NSR).



John Freemantle

BBus, CPA

Company Secretary

- Company Secretary since 2007.

John has been involved in the property industry since 1977. Before joining APN in 2006, he worked with Dillingham Constructions, Jennings Property Group and Centro Property Group, where he held the roles of Chief Financial Officer and Company Secretary for 17 years.



Michael Groth

BCom, BSc, DipIFR, CA

Executive Alternate Director for Howard Brenchley

- An Alternate Director.

Michael's professional career includes over 7 years with KPMG Melbourne, where he worked closely with a number of major listed companies and stockbrokers before moving to the United Kingdom to work in the financial services industry and for a government regulatory body. Since joining APN in 2006, Michael has had broad exposure across all areas of the Group, and was appointed Chief Financial Officer in June 2014. Michael is responsible for accounting, taxation and treasury across the business and a key contributor to setting the business's direction and strategy.

CORPORATE GOVERNANCE

The Directors of Industria Company No. 1 (Industria Co) Limited during the statement period are:

- Geoff Brunsdon
 - A Director and Chairman since October 2013
- Jennifer Horrigan
 - A Director since October 2013
- Michael Johnstone
 - A Director since October 2013
- Howard Brenchley
 - A Director since October 2013
- Michael Groth
 - An Alternate Director for Howard Brenchley since March 2016
- John Freemantle
 - A Director and Company Secretary since 2013

Industria REIT is an externally managed Fund

Industria REIT does not directly employ staff. It is managed by APN FM as responsible entity of the Trusts and under the Industria Co Management Agreement.

In return for its services, APN FM charges management fees of 0.55% p.a. of Gross Asset Value (reducing to 0.50% p.a. of Gross Asset Value in excess of \$750 million and 0.45% p.a. of Gross Asset Value in excess of \$1,500 million). In addition, the Responsible Entity is entitled to reimbursement for reasonable expenses incurred in the operation of Industria REIT.

APN FM provides property management and leasing services to the Group. These services can be carried out by APN FM or sub-contracted to one or more third parties. In the event that APN FM provides property management or leasing services without engaging third parties, APN FM is entitled to charge a fee of up to 3% of annual gross income plus a leasing fee at market rates.

During the year, APN FM provided leasing services to the Group. Prior to 1 January 2016 APN FM was entitled to fees of \$517,000 (2015: \$325,000) in respect of leasing services provided, based on market rates. These fees have not been charged and will not be charged while APN FM is Responsible Entity of the Group. Subsequent to 1 January 2016, APN FM provided leasing services to the Group and consequently charged leasing fees totalling \$71,000 (2015: Nil).

Further details of the agreements between Industria REIT and APN FM are included in the fund Product Disclosure Statement (PDS) which is available on the fund website at: www.industriareit.com.au/investor-information/pds.

Board Independence

APN FM is a wholly owned subsidiary of APN Property Group Limited (APN PG), a company listed on the Australian Securities Exchange (ASX). Both companies have separate board structures and each operates independently of the other. Importantly, all directors of APN FM have a legal obligation to put the interests of investors in funds operated by APN FM ahead of their own and those of APN FM's sole shareholder, APN PG.

Industria Co is a member of Industria REIT and managed by its own board. The board of APN FM, which is the responsible entity of the four stapled trusts and the board of Industria Co have four directors in common. These boards co-operate to ensure that the interests of Industria REIT are maintained.

The board of APN FM comprises four directors, three of whom are independent of the business and of the board of APN PG. The board of Industria Co comprises five directors, three of whom are independent of the business and of the board of APN PG.

The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board.

The names and biographical details of the directors and secretary are set out on pages 18 and 19.

The Boards of APN FM and Industria Co have adopted the following Corporate Governance policies and procedures

In practice, the board of Industria Co has adopted the same policies and procedures as APN FM. All references to APN FM or funds should be read as including Industria Co, where the context permits.

CORPORATE GOVERNANCE

Role and Responsibilities

Without limitation to the duties and responsibilities of directors under the Corporations Act, the Constitution and all applicable laws, in order to ensure that APN FM complies with its responsibilities, the board has adopted a board charter setting out its roles and responsibilities (including the roles and responsibilities of the Chairman). In accordance with the board charter, the board is responsible for:

- the oversight of APN FM, including its control and accountability systems;
- subject to its overriding duties to securityholders in the respective APN Funds, setting the aims, strategies and policies of APN FM;
- where appropriate, ratifying the appointment and the removal of senior executives including, but not limited to the fund managers of the respective APN Funds;
- providing input into and final approval of management's development of strategy and performance objectives in respect of the APN Funds;
- reviewing, ratifying and monitoring systems of risk management and internal compliance and control, codes of conduct and legal compliance, particularly in respect of the APN Funds;
- identifying conflict of interest situations within APN FM's business and the business of the APN Funds and:
 - determining whether the conflict of interest situation is to be avoided or whether it can be appropriately controlled; and
 - if the conflict of interest situation can be appropriately controlled, determining and implementing the procedure necessary to control the conflict;
- monitoring senior management's performance and implementation of strategy and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestitures in respect of the APN Funds;
- approving the issue of disclosure documents in respect of the respective APN Funds; and
- approving and monitoring financial and other reporting obligations of the respective APN Funds, in particular ensuring compliance with the continuous disclosure obligations of the respective APN Funds under the Corporations Act and the Listing Rules.

A copy of the Board Charter is available at the Company's website (www.apngroup.com.au).

Terms of appointment

The board has adopted a letter of appointment that contains the terms on which non-executive directors are to be appointed, including individual Directors' roles and responsibilities and the basis upon which they will be indemnified by APN FM. Non-executive Directors are entitled to take independent advice at the cost of APN FM in relation to their role as members of the board.

Review of Board Performance

The performance of the board is reviewed at least annually by the board. The evaluation includes a review of:

- the board's membership and the charters of the board and its committees;
- board processes and its committee's effectiveness in supporting the board; and
- the performance of the board and its committees.

An annual review of each Director's performance is undertaken by the Chairman, after consultation with the other directors.

CORPORATE GOVERNANCE

Board Committees

Audit, Compliance and Risk Management Committee

The board has appointed an Audit, Compliance and Risk Management Committee to oversee certain responsibilities of APN FM. The Committee's primary responsibility is to ensure a sound system of risk oversight and internal control. During the year, the Committee has received reports detailing the effectiveness of APN FM's current risk management programme from management and advised the board accordingly. The specific responsibilities of the Committee include:

Audit

External audit

- to recommend to the board the final financial statements in respect of each of the funds and APN FM (in its own capacity);
- to recommend to the board the appointment and removal of the fund's external auditors (including providing the board with fee proposals in relation to the external auditors);
- to monitor compliance with the Corporations Act 2001 (Cth) in relation to auditor rotation;
- to undertake periodic reviews in order to monitor the effectiveness, objectivity and independence of the external auditors;
- to advise the Board as to whether the Committee is satisfied that the provision of non-audit services by the external auditors is compatible with the general standard of independence, together with an explanation of why those non-audit services do not compromise audit independence, in order for the Board to be in a position to make the necessary statements required by the Corporations Act in the Funds' respective financial reports;
- to review, consider and advise the board on the adequacy of the audit plan proposed by the external auditors;
- to review all of the external auditors' reports;
- to commission such enquiry by the external auditors as the Committee deems appropriate;
- to consider management's responses to matters that arise from external audits;
- to conduct regular reviews of management's activity pertaining to audit findings to ensure any issues are being dealt with in a timely manner; and
- to perform annual assessments of the auditors' compliance with any applicable laws, regulations and any other relevant requirements.

Financial statements

- to review the financial statements and related notes, and ensure they are consistent with information known to the Committee and that they reflect appropriate accounting principles, standards and regulations¹;
- to review external auditors' reviews or audits of the funds' financial statements and corresponding reports;
- to review accounting and reporting issues as they arise;
- to review, and advise the board on, any disputes or issues that may arise during the course of an audit; and
- to advise the board on any material matters that arise during an audit that the Committee becomes aware of.

¹ Prior to approval of the entity's financial statements for any financial period, the Committee receives from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Risk Management

- to monitor the management of risks relevant to APN FM and the funds;
- to review and make recommendations to the board regarding APN FM's current risk management program (including all internal policies developed and implemented to manage and identify all of the identified risks) and whether it identifies all areas of potential risk.
- to review and make recommendations to the board on the strategic direction, objectives and effectiveness of APN FM's financial and risk management policies; and
- to oversee investigations of allegations of fraud or malfeasance and, where required, report details to relevant authorities.

Compliance

- to monitor the compliance of APN FM with:
 - the Corporations Act;
 - the compliance plan of each fund;
 - the constitution of each fund;
 - the Australian Financial Services Licence (AFSL) of APN FM; and
 - where a fund is a Listed Scheme, the Listing Rules;
- to report to the board any breach of the obligations listed above;
- to report to the Australian Securities and Investments Commission (ASIC) if the Committee is of the view that APN FM has not taken, or does not propose to take, appropriate action to deal with a matter reported;

CORPORATE GOVERNANCE

- to assess at regular intervals whether each fund's compliance plan is adequate;
- to report to the board on its assessment of each fund's compliance plan; and
- to make recommendations to the board about any changes that it considers should be made to the funds' compliance plans.

Related Party Transactions and Conflicts of Interest

- The Committee must monitor compliance with the Conflicts Policy adopted by APN PG and APN FM in respect of the APN Group and comply with the obligations under the Conflicts Policy.
- Without limiting its obligations under the Conflicts Policy, the Committee will ensure that:
 - any breach of the Conflicts Policy is noted on the compliance breach register;
 - the activity which caused the breach is reviewed and any steps necessary to ensure compliance with the Conflicts Policy in the future are taken; and
 - where necessary, ASIC is notified in accordance with section 912D(1) of the Corporations Act.

A copy of the Audit, Compliance and Risk Management Committee Charter is available on the fund website at: www.industriareit.com.au/about/corporate-governance

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

Nomination and Remuneration

The board has appointed a Nomination and Remuneration Committee to oversee the responsibilities of APN FM for ensuring adequacy of the size and composition of the board of APN FM for itself and each APN fund. The specific responsibilities of the Committee include making recommendations to the Board about:

- the appropriate size and composition of the APN FM board;
- the necessary and desirable competencies of Directors;
- the appointment, re-appointment and removal of Directors;
- formal and transparent procedures and criteria for the selection of candidates for, and appointments to, the APN FM board;
- appropriate succession plans or arrangements for the APN FM Board and regularly (meaning at least annually) reviewing the plan approved by the APN FM Board;

- implementing induction procedures designed to allow new APN FM board appointees to participate fully and actively in APN FM board decision-making at the earliest opportunity;
- implementing induction programs that enable Directors to gain an understanding of:
 - financial, strategic, operational and risk management position of APN FM;
 - their rights, duties and responsibilities; and
 - the role of the APN FM board and other committees;
- providing Directors and key executives with access to continuing education to update their skills and knowledge and provide them access to internal and external sources of information which enhance their effectiveness in their roles;
- an appropriate process for performance and remuneration evaluation of the APN FM Board, the Industria Co Board, their respective committees, Directors, and, to the extent applicable, key executives;
- appropriate remuneration and incentive policies from time to time which motivate Directors and management to pursue the long-term growth and success of APN FM or Industria Co within an appropriate control framework;
- to the extent applicable, the relevant policies which demonstrate a clear relationship between key executive performance and remuneration;
- the remuneration and incentive policies for senior management, including any eligibility criteria and performance hurdles for equity based plans and considering whether securityholder approval is needed for plans and for any changes to them;
- the remuneration packages of senior management and Directors and whether securityholder approval is needed for any change to remuneration of Directors;
- any report on executive remuneration that may be required by the ASX Listing Rules or the Corporations Act 2001 (Cth) or proposed for inclusion in the annual report.

A copy of the Nomination and Remuneration Committee Charter is available on the fund website at: www.industriareit.com.au/about/corporate-governance.

The Committee currently comprises three Directors, all of whom are independent as defined by the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations. The names and biographical details of the Committee members are set out above.

CORPORATE GOVERNANCE

Meetings of Directors

The number of meetings of Directors, including meetings of committees of directors, and number of meetings attended by each director during the financial year ended 30 June 2016, is set out below:

Board Meetings: APN Funds Management Limited	Geoff Brunsdon	Michael Johnstone	Jennifer Horrigan	Howard Brenchley	Michael Groth (alt for Brenchley)	John Freemantle
Total Attended	18	18	18	14 ¹	13 ¹	N/A
Total Held	18	18	18	18	18	N/A

¹ Abstained from attending 4 meetings due to conflict of interest

Board Meetings: Industria Company No 1 Limited	Geoff Brunsdon	Michael Johnstone	Jennifer Horrigan	Howard Brenchley	Michael Groth (alt for Brenchley)	John Freemantle
Total Attended	9	11	11	10	4	11
Total Held	11	11	11	11	4	11

Audit, Compliance & Risk Management Committee meetings: APN Funds Management Limited & Industria Company No 1 Limited	Geoff Brunsdon	Michael Johnstone	Jennifer Horrigan	Howard Brenchley	Michael Groth (alt for Brenchley)	John Freemantle
Total Attended	9	9	9	N/A	N/A	N/A
Total Held	9	9	9	N/A	N/A	N/A

APN FM Nomination & Remuneration Committee meetings APN Funds Management Limited	Geoff Brunsdon	Michael Johnstone	Jennifer Horrigan	Howard Brenchley	Michael Groth (alt for Brenchley)	John Freemantle
Total Attended	2	2	2	N/A	N/A	N/A
Total Held	2	2	2	N/A	N/A	N/A

CORPORATE GOVERNANCE

Diversity

APN Property Group, including APN FM embraces a practice of Workplace Diversity as follows:

What is Workplace Diversity?

Workplace diversity recognises and leverages the different skills and perspectives people bring to our organisation through their gender, culture, physical and mental ability, sexual orientation, age, socio economic background, language, religion, education, and family / marital status. It also refers to diverse ways of thinking and ways of working.

Statement of Commitment

As an organisation we recognise the benefits to be gained from a diverse workforce where the differing skills, perspectives and experiences of individuals from different backgrounds can lead to more innovative and efficient business practices.

We are committed to creating an environment in which the principles of diversity are embedded in the culture and systems of the organisation and where every individual has the opportunity to excel.

APN Property Group has adopted a Diversity Policy (a copy of which is available at the Company's website (<http://apngroup.com.au/about-us/governance/>)). The aims of the Diversity Policy are:

- to articulate the APN Property Group's commitment to diversity within the organisation at all levels (including employee level, senior executive level and Board level); and
- to provide a framework for establishing objectives and procedures which are designed to foster and promote diversity within APN Property Group. This includes placing obligations on APN Property Group and the Board to set objectives, measure against those objectives and disclose progress at appropriate intervals.

Gender Diversity Objectives

In accordance with its Diversity Policy, APN Property Group has set measurable objectives to achieve gender and other diversity, and has appointed the Compliance Officer to monitor compliance with those objectives and to report to the Board of APN Property Group at least annually.

For the financial year 2016/2017, APN Property Group has set the following measurable objectives for gender and other diversity:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;

- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible;

- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible;

- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit;

- Mentoring support to be available to all staff;

- the Diversity Policy is available to all employees at all times; and

- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

APN Property Group will report on the outcome of these measurable objectives each year.

For the financial year 2015/2016, APN Property Group set similar measurable objectives for gender and other diversity. These objectives and a report on the outcome are set out below:

- the selection process for Board appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible.*

The Board of APN PG made one new appointment during the year. Mr Tony Young was appointed in December 2015 in accordance with the objective of transitioning to an independent Board. Mr Young was appointed following strong endorsement from a significant shareholder in APN. There were no changes to the Board of APN FM during the year.

- the selection process for senior management appointments, having regard for the need to maintain an appropriate mix of skills, experience, expertise and diversity will consider at least one female candidate wherever reasonably possible.*

There were three new senior management appointments in this financial year including the internal promotion of a female manager (33%).

- the process for recruitment of new employees, having regard for the skills and expertise required for the role, will consider at least one female candidate wherever reasonably possible.*

Thirteen new appointments were made during the year of which five (38%) were female;

CORPORATE GOVERNANCE

- flexible work arrangements to balance family and other commitments with the role will continue to be considered for all employees, where the requirements of the role permit.

Flexible work arrangements have been agreed with a number of employees in relation to family balance, maternity needs and illness;

- the Diversity Policy is available to all employees at all times.

The policy was available on the company intranet which is available to all staff at all times;

- all employees responsible for employment and promotion of employees will be reminded of the Diversity Policy and these objectives at least annually.

Employees were reminded on each occasion of a new appointment.

Gender Diversity in APN Property Group

At the date of this report, the proportion of females in APN Property Group was:

- Board of APN Property Group Limited: nil
- Board of APN Funds Management Limited: 25%
- Senior Management of the APN Property Group: 33%
- All employees of APN Property Group: 39%

Sustainability

APN Property Group, including APN Funds Management Limited believes that the sustainability of the business is intrinsically linked to the successful management of its financial, social and environmental risks, obligations and opportunities. We believe those companies that adopt sustainable practices are more likely to generate better long term returns for investors.

This philosophy is embedded in the culture of the business and monitored to ensure critical business risks are carefully managed. This is evidenced in the following key objectives:

Our Investors

- Prioritise the interests of investors;
- Separate Boards operating independently of each other to manage conflicts between the interests of investors in APN PG and investors in the funds we manage;
- Strong focus on investment performance; and
- Regular and meaningful communications to investors.

Our Community

- Significant value attributed to 'sustainability conscious' companies in the investment decision process of the APN managed 'real estate securities' funds;
- Bias to 'green' rated direct property investments and development opportunities; and
- Corporate values ethos required of all staff - integrity, passion, respect, accountability and professionalism.

Our Staff

- Demanding recruitment standards;
- Attractive remuneration incentives for strong performance;
- Focus on diversity; and
- Employee engagement in overall business performance, including regular staff briefings.

Our Governance

- Independent Board to manage the Responsible Entity of APN's managed funds;
- Strict compliance regime to ensure compliance with legislative framework overseen by independent Board Compliance Sub-Committee;
- Documented compliance programme and Company Policies to regulate compliance requirements; and
- Annual compliance audits.

Other corporate governance policies and charters

Refer to the fund website at: www.industriareit.com.au/about/corporate-governance for:

- Board Charter;
- Audit, Compliance and Risk Management Committee Charter; and
- Nomination and Remuneration Committee Charter

and the following corporate governance policies, which have been adopted by all entities (including APN FM) within the APN Group in accordance with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations:

- Securities Trading Policy;
- Continuous Disclosure Policy;
- Code of Conduct;
- Related Party Transactions and Conflicts of Interest Policy;
- Privacy Policy; and
- Communications Policy.

CORPORATE GOVERNANCE

Compliance with ASX Corporate Governance Guidelines

APN FM and Industria Co comply with all of the ASX Corporate Governance Principles and Recommendations, including, as not specifically addressed above:

- That at each AGM, the external auditor attends and is available to answer questions from security holders relevant to the audit.
- That security holders have the option to receive communications from, and send communications to, the entity and its security registry electronically.
- That the Audit, Compliance and Risk Management Committee has reviewed the risk management framework during the financial year ended 30 June 2016.

**'Industria REIT' being
Industria Trust No. 1 and its Controlled Entities**
ARSN 125 862 875

Stapling arrangement

The 'Industria REIT' stapled group was established on 5th December 2013 by stapling the securities of the following entities:

- Industria Trust No. 1
- Industria Trust No. 2
- Industria Trust No. 3
- Industria Trust No. 4
- Industria Company No. 1 Ltd

These consolidated financial statements represent the consolidated results of Industria REIT for the full financial year.

FINANCIAL INFORMATION

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DIRECTORS' REPORT

The Directors of APN Funds Management Limited ('APN FM'), the Responsible Entity of Industria Trust No. 1 ('Trust'), present their report on the consolidated entity ('Group'), being Industria Trust No. 1 and its controlled entities, for the financial year ended 30 June 2016.

In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

The following persons were Directors of the Responsible Entity during the financial year and up to the date of this report:

Directors of APN Funds Management Limited (Responsible Entity)

- Geoff Brunsdon
- Howard Brenchley
- Jennifer Horrigan
- Michael Johnstone
- Michael Groth (Alternate Director)

Principal activities

The Trust is a registered managed investment scheme domiciled in Australia. The principal activity of the Trust is investment in income producing industrial and business park properties within Australia.

No significant change in the nature of these activities occurred during the financial year.

Significant changes in the state of affairs

There was no significant change in state of affairs of the Group during the financial year.

Review of operations

The results of the operations of the Group are disclosed in the consolidated statement of profit or loss and other comprehensive income of these financial statements. The Group's total comprehensive income was \$31,261,000 for the financial year ended 30 June 2016 (30 June 2015: \$22,772,000).

A summary of Industria REIT's results for the financial year is as follows:

	FY16 \$'000	FY15 \$'000
Net rental income	29,115	29,644
Operating expenses	(2,880)	(2,810)
Net profit before interest, tax and other items	26,235	26,834
Net gain in fair value adjustments on investment properties	12,026	3,257
Gain on sale of investment properties	3	668
Fair value loss on derivatives	(1,224)	(1,776)
Net interest expense	(6,013)	(6,215)
Net profit before tax	31,027	22,768
Income tax – current	-	(74)
Income tax – deferred	234	78
Total comprehensive income for the financial year	31,261	22,772

DIRECTORS' REPORT

The Responsible Entity uses the Group's 'Funds From Operations' (FFO) as an additional performance indicator. FFO is calculated in accordance with the Property Council of Australia's best practice guidelines and adjusts the consolidated profit or loss and other comprehensive income for certain non-cash and other items, including unrealised gains or losses on the revaluation of the Group's investment properties and derivatives as outlined below.

	FY16 \$'000	FY15 \$'000
Funds from Operations:		
Total comprehensive income for the financial year	31,261	22,772
Adjusted for:		
Add back amortised borrowing costs	273	323
Add back amortised leasing costs and rent free adjustments	2,087	985
Reverse straight lining of rent	(1,050)	(1,223)
Add back fair value loss on derivatives	1,224	1,776
Reverse fair value gain on investment properties	(12,026)	(3,257)
(Deduct) / Add back deferred tax (credit) / charge	(234)	(78)
FFO	21,535	21,298
Key financial performance metrics:		
FFO (cents per security)	17.51	17.25
Distributions per security (cents per security)	15.50	16.20
Payout Ratio (Distribution / FFO)	88.5%	94.5%
Statutory earnings per security (cents per security)	25.41	18.44
Securities on issue (millions)	123,019	123,488

The total comprehensive income for the financial year ended 30 June 2016 was \$31,261,000, compared to \$22,772,000 in the previous year, with the increase driven primarily by fair value gains on investment properties.

FFO rose 1.5% from 17.25 cents per security in FY15 to 17.51 cents per security in FY16.

Net tangible assets and asset valuations

Total investment property assets increased by \$17,980,000 (\$12,026,000 after adjustments for straight lining of rent, tenant incentives and associated leasing costs incurred), a 4.5% year on year increase, to \$417,863,000. This balance includes \$1,170,000 of capital expenditure during the period, \$2,900,000 of incentives paid during the period, and two assets classified as held for sale. Following the sale of 7 Brandl St and 85 Brandl St post balance date (at an average 13% premium to their prior book values), the investment property asset balance will decrease to \$386,139,000.

Significant valuation movements included:

- Industria's two assets at Rhodes Corporate Park – buildings A and C - increased in value by \$11.9m (9.0%), with key lease renewals enhancing the cap rate on the assets;
- 7 Clunies Ross and 17 – 19 McKechnie Drive increased in value by 4.8% (\$1.8 million) after Interactive leased 4,160 square metres in the prior year, resulting in a weighted average lease expiry of 7.2 years at 7 Clunies Ross;
- Brisbane Technology Park (BTP) Central, which represents the consolidation of a number of small holdings and 51A McKechnie Drive (100% occupied by Queensland Health), reduced in value by \$1.4 million (3.3%) (including land held for future development), due to near-term lease expiries; and
- 8 Clunies Ross and 9 McKechnie Drive reduced in value by \$2.1 million (9.0%) after the major tenant provided notice they would vacate.

Net tangible assets ("NTA") total \$261,157,000 (2015: \$249,838,000), equating to \$2.12 per security as at 30 June 2016 (2015: \$2.02).

DIRECTORS' REPORT

Leasing

Vacancy leased-up over the period boosted occupancy to 96%. The portfolios weighted average lease expiry remains strong at 4.9 years, and lease expiries for FY17 and FY18 remain relatively low at 8.0% and 7.1% respectively.

Activity was led by Industria's Brisbane Technology Park (BTP) assets, which are located 15 minutes from the CBD and 20 minutes from the airport, offering attractive rents of \$340 per square metre, and having benefited from improved market conditions including vacancy within the BTP precinct reducing to 6.8% (PCA July 2016). Key leasing transactions over the financial year included:

- 80 – 90 South Park Drive – 10,241 square metres to Hollier Dicksons, de-risking an October 2016 lease expiry with a new 7 year lease;
- Rhodes C – Renewal to Frasers Property Group over 3,720 square metres;
- 85 Brandl St – Leased 735 square metres to Cook Medical, facilitating the sale 30% ahead of book value;
- 88 Brandl St – 11 leases completed with tenants ranging from 50 – 250 square metres after Industria took over management of the property from a serviced office provider; and
- 18 Brandl St – 1,740 square metres to Lumascape across office and warehouse space.

When combined with the leasing completed in the first half of FY16, 20% of the portfolio has been taken up by tenants over the 2016 financial year.

Acquisitions

There were no acquisitions during the year.

Disposals

On 5 February 2016, the Group disposed of Lot 3, Brandl St, for consideration of \$1,168,000. The disposal resulted in a gain of \$3,000. In addition to this two sales were agreed late in the financial year that resulted in 7 Brandl St and 85 Brandl St, Brisbane Technology Park, being carried at their Net Realisable Values and disclosed as assets classified as held for sale in the consolidated statement of financial position. Key metrics on the sales included:

- 7 Brandl St – Sold on 1 August 2016, 10% ahead of the prior book value, representing net sale proceeds of \$25,137,000; and
- 85 Brandl St – Contracts were exchanged on 2 August 2016 for a sale price of \$7,230,000. After making estimates for settlement adjustments, the asset is being carried at its net realisable value of \$6,587,000, a 30% increase over the prior book value.

The above sales followed the successful lease up of vacancy and creation of 5.2 and 4.8 year weighted average lease expiries (respectively), increasing the attractiveness of the assets to purchasers and crystallising value well ahead of prior book values.

Market Overview

Brisbane Technology Park

Despite vacancy within Brisbane Technology Park being low at 6.8%, the broader Brisbane market has an excess of supply and high vacancy – with the fringe reporting vacancy of 12.9% and the CBD 16.9%. Demand for office space remains subdued and competition high and as a result market rental growth is negligible. However leasing across the Group's properties has outperformed the broader market, with Industria leasing up over 5,000 square metres of vacancy in the past 12 months. This success follows a period of active marketing to secure tenants, and has enhanced the weighted average lease expiry and reduced the lost rent associated with vacancy.

The suburban investment market has performed strongly over the past two years. Industria has been the beneficiary of this, agreeing the sale of 7 Brandl St. and 85 Brandl St. at yields of 7.5% - 100 basis points tighter than carrying valuations. Elsewhere in the market, assets have been trading on cap rates ranging from 7.2% to 8.3%, indicating continued appetite for property in Brisbane despite the challenging conditions.

Rhodes

A combination of negative net supply and modest positive net absorption has led to the Sydney suburban vacancy rate falling to 6.6%. Stock withdrawals for residential conversion totalled 77,599sqm (or 2.5% of stock) in calendar 2015, and were only partially offset by new office supply of 30,479sqm. Although these conditions have seen effective gross rents increase by ~5% over the past 12 months, the growth in tenant demand has been patchy outside the CBD and as a result the Group still has 3 suites to lease at Building C Rhodes.

The market is experiencing strong capital flows, with calendar 2015 the largest year on record for Sydney office sales – with volumes exceeding \$6.2 billion, led by growth in offshore and syndication buyers. Strong capital flows have continued into 2016, with the sale of 3 – 5 Rider Boulevard, Rhodes, for ~\$230 million in June 2016 evidence of recent and continuing demand for investment opportunities. Given the strength of the NSW economy and lower than average vacancy, we expect Sydney office markets to continue to strengthen.

DIRECTORS' REPORT

Melbourne industrial

New supply has largely been the driver of increasing vacancy in the Melbourne industrial markets in recent years. Vacancy now stands at 1.07 million square metres, with the growth in vacancy mainly coming from prime assets – where vacancy has increased from 477,000 square metres to 553,000 square metres. The majority of supply (and backfill vacancy) is in the Northern and Western markets, and this will worsen in late 2016/2017 with a further 231,000 square metres committed and under construction. Fortunately the Group is reasonably well placed to weather these conditions, with an average 5.7 year weighted average lease expiry over the Group's industrial assets and no material near-term expiries,

Investment yields continue to firm, and prime yields now range from 6.7% to 7.4%. Almost \$1.2 billion of industrial property exchanged hands in the 12 months to June 2016, with sale volumes boosted by strong interest from syndicators and unlisted funds. Sale and Leaseback trades have made up a major component of the transactional activity in Melbourne, with the two largest being the Woolworths DC (Dandenong South, \$215 million) and Oxford Cold Storage (Laverton North, \$206 million).

Future Prospects

Global growth continues to disappoint despite years of proactive policies and approaches from governments and central banks to stimulate sustainable growth. This environment creates ongoing challenges for businesses to increase prices and generate higher profits, and results in persistent focus on cost control across the board. This outlook underpins the Group's focus on owning interests in office and industrial properties that provide functional and affordable workspaces for business. We believe properties with these characteristics will outperform in a low growth environment, meeting the needs and wants of businesses who remain cost conscious when assessing their accommodation requirements. Combined with owning properties in good locations, the Group's portfolio is well placed to maintain high occupancy in the medium to long term.

The low growth environment has also led to a reduction in investor return expectations, especially for assets with long leases and limited income risk. Lower return expectations have increased values, creating an environment whereby it is more feasible for developers to deliver new buildings. These new buildings have increased supply across most major markets and muted rental growth. A further consequence of supply and increased competition is tenant incentives, which typically are in the form of providing a tenant with rent free periods or subsidising tenants fit out requirements. These conditions are largely present across all markets, and create a drag on cash flow and potentially tarnish returns.

In order to appropriately manage these risks, the Group completes bi-annual asset reviews that assess all aspects of the subject property, the market fundamentals, and how

this compares to the carrying value and future potential of the asset. The Group also owns a diversified portfolio of assets that are located across major cities, and maintains a conservative approach to managing the balance sheet – with a target leverage band of 30% – 40%.

For the reasons articulated above, the Group is well positioned moving forward, with the ability to appropriately manage the future risks and rewards to provide sustainable income and capital growth to unitholders over time.

On Market Securities Buy-Back

On 27 March 2015, Industria REIT announced an on market buy-back of up to 6,250,000 stapled securities equating to approximately 5% of the total number of securities on issue. The buy-back was approved to take place during the 12 month period from 13 May 2015 to 12 May 2016 and commenced on 19 June 2015 with a focus on enhancing value and returns to investors.

During the period from 1 July 2015 to 12 May 2016, Industria REIT acquired 469,208 securities (2015: 1,511,602) at an average price of \$1.8613 per security (2015: \$1.9366) representing a 12.2% discount (2015: 4.13%) to the net tangible assets per security at 30 June 2016 of \$2.12 (2015: \$2.02).

Brisbane Technology Park (BTP) Co-operation Agreement

As outlined in the Product Disclosure Statement and Prospectus dated 28 October 2013, a Co-operation Agreement is in existence between Industria and Graystone Pty Ltd (Graystone). Graystone was the property manager of Industria's Brisbane Technology Park portfolio until December 2015, at which time CBRE took over as the property manager. Graystone retain option rights, under the Co-operation Agreement, over 45 and 45B McKechnie Drive at BTP Central (refer Note 10 (c)). The exercise price of the option under the Co-operation Agreement is broadly in line with the disclosed fair value.

The options expire in December 2016, and the Directors have been informed Graystone are likely to exercise some or all of their option rights.

Distributions

Distributions of \$19,068,000 were paid or declared by the Group during the financial year ended 30 June 2016 (2015: \$20,131,000).

For full details of distributions paid and payable during the financial year refer to note 7 of the consolidated financial statements.

DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the external auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 35.

Matters subsequent to the end of the financial year

The Group entered into an unconditional contract to sell 7 Brandl St, Brisbane Technology Park, for \$25,500,000 on 21 April 2016. Settlement for this asset took place on 1 August 2016.

On 28 June 2016 the Group entered into a Heads of Agreement to dispose of 85 Brandl St, Brisbane Technology Park, for \$7,230,000. On 2 August 2016 an unconditional sale contract was signed and settlement is scheduled for 8 September 2016.

In the period since the end of the financial year and up to the date of this report, no other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Options granted

As the Trust is an externally managed vehicle, no options were:

- granted over unissued securities in the Trust during or since the end of the financial year; or
- granted to the Responsible Entity.

No unissued securities in the Trust were under option as at the date on which this report is made.

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

Indemnification of officers of the Responsible Entity and auditors

APN Funds Management Limited ('the Company') in its capacity as the Responsible Entity of the Group has agreed to indemnify the Directors and officers of the Company and its related bodies corporate, both past and present, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The Company will meet the full amount of any such liabilities, including costs and expenses. In addition, the Company has paid a premium in respect of a contract insuring against a liability incurred by

an officer of the Group. The Company has not indemnified or made a relevant agreement to indemnify the auditor of the Group or of any related body (corporate) against a liability incurred by the auditor.

Trust information in the Directors' report

Fees paid to the Responsible Entity during the financial year are disclosed in note 18 to the financial statements. The Responsible Entity and its associates' security holdings in the Group are disclosed in note 18 to the financial statements.

The number of securities in the Group issued, bought back and cancelled during the financial year, and the number of securities on issue at the end of the financial year is disclosed in note 16 to the financial statements.

The value of the Group's assets as at the end of the financial year is disclosed in the consolidated statement of financial position as "Total Assets" and the basis of valuation is included in note 1 to the financial statements.

Geoff Brunson, a Director of the Responsible Entity of the Trust, holds 50,000 securities in Industria REIT as at 30 June 2016 (2015: 50,000). No other director owns securities, or rights or options over securities, in the Group.

Rounding of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors.

On behalf of the Directors



Geoff Brunson

Director
Dated at Melbourne, 22 August 2016

AUDITOR'S INDEPENDENCE DECLARATION



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The Board of Directors
APN Funds Management Limited
Level 30, 101 Collins Street
Melbourne, Vic 3000

Dear Board Members

INDEPENDENCE DECLARATION – INDUSTRIA REIT

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the financial report for Industria REIT.

As lead audit partner for the audit of the financial statements of Industria REIT for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 22 August 2016

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Revenue			
Rental income		37,956	39,117
Total revenue from continuing operations		37,956	39,117
Other income			
Other income	3	41	-
Interest income		27	47
Net gain on sale of investment properties	10	3	668
Net gain in fair value adjustments on investment properties	10	12,026	3,257
		12,097	3,972
Total income		50,053	43,089
Expenses			
Property costs		(8,841)	(9,473)
Trust management fees	18	(2,318)	(2,219)
Interest expense	4	(6,040)	(6,262)
Fair value loss on derivatives		(1,224)	(1,776)
Trust costs			
Recurring trust costs		(603)	(591)
Total expenses		(19,026)	(20,321)
Net profit before tax		31,027	22,768
Income tax expense – current	5	-	(74)
Income tax benefit / (expense) – deferred	5	234	78
Net profit after tax		31,261	22,772
Attributable to:			
Equity holders of Industria Trust No. 1		24,806	14,328
Equity holders of non-controlling interests ¹		6,455	8,444
		31,261	22,772
Other comprehensive income		-	-
Total comprehensive income for the financial year		31,261	22,772
Total comprehensive income is attributable to:			
Equity holders of Industria Trust No. 1		24,806	14,328
Equity holders of non-controlling interests ¹		6,455	8,444
		31,261	22,772
Earnings per unit			
Basic and diluted (cents per security)	21	25.40	18.22

¹ Non-Controlling interests represents the net profit after tax and comprehensive income attributable to the other stapled entities comprising the Industria REIT Group.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Current assets			
Cash and cash equivalents	19	1,607	1,873
Trade and other receivables	8	2,021	3,992
Other assets	9	355	519
Assets classified as held for sale	23	31,724	-
Total current assets		35,707	6,384
Non-current assets			
Investment properties	10	386,139	399,883
Other assets	9	-	89
Total non-current assets		386,139	399,972
Total assets		421,846	406,356
Current liabilities			
Payables	11	(4,967)	(6,215)
Provisions	13	-	(385)
Derivative financial instruments	14	(1,042)	(1,216)
Distributions payable	7	(9,842)	(9,681)
Liabilities directly associated with assets classified as held for sale	23	-	-
Total current liabilities		(15,851)	(17,497)
Non-current liabilities			
Payables	11	(240)	(180)
Derivative financial instruments	14	(3,266)	(1,869)
Borrowings	12	(139,263)	(134,669)
Deferred tax liability	5	(2,069)	(2,303)
Total non-current liabilities		(144,838)	(139,021)
Total liabilities		(160,689)	(156,518)
Net assets		261,157	249,838
Equity			
Equity holders of Industria Trust No. 1:			
Contributed equity	16	165,096	165,674
Retained earnings / (accumulated losses)	16	10,922	(384)
		176,018	165,290
Equity holders of non-controlling interests ¹	17	85,139	84,548
Total equity		261,157	249,838
Net tangible assets per security		2.12	2.02

¹ Non-Controlling interests represents the net assets attributable to the other stapled entities comprising the Industria REIT Group.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2016

	Contributed equity \$'000	(Accumulated losses)/ retained earnings \$'000	Total \$'000	Non-controlling interests \$'000	Total equity \$'000
Balance at 1 July 2014	167,659	(2,785)	164,874	85,250	250,124
Net profit for the financial year	-	14,328	14,328	8,444	22,772
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	14,328	14,328	8,444	22,772
Transactions with unitholders in their capacity as owners					
Buy-back of contributed equity (Note 16)	(1,985)	-	(1,985)	(942)	(2,927)
Distributions paid or provided (Note 7)	-	(11,927)	(11,927)	(8,204)	(20,131)
Balance at 30 June 2015	165,674	(384)	165,290	84,548	249,838
Net profit for the financial year	-	24,806	24,806	6,455	31,261
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	-	24,806	24,806	6,455	31,261
Transactions with unitholders in their capacity as owners					
Buy-back of contributed equity (Note 16)	(578)	-	(578)	(296)	(874)
Distributions paid or provided (Note 7)	-	(13,500)	(13,500)	(5,568)	(19,068)
Balance at 30 June 2016	165,096	10,922	176,018	85,139	261,157

¹ Non-Controlling interests represents the equity attributable to the other stapled entities comprising the Industria REIT Group.

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2016

	Notes	2016 \$'000	2015 \$'000
Cash flows from operating activities			
Receipts from customers		36,185	37,826
Payments to suppliers		(15,188)	(15,015)
Interest received		28	47
Income tax refunded / (paid)		71	(437)
Finance costs paid		(5,997)	(6,095)
Net cash inflow from operating activities	19	15,099	16,326
Cash flows from investing activities			
Payments for improvements to investment properties	10	(1,302)	(1,128)
Proceeds from sale of investment properties	10	1,168	11,347
Net cash (outflow) / inflow from investing activities		(134)	10,219
Cash flows from financing activities			
Repayment of borrowings		-	(1,940)
Proceeds from borrowings		4,550	-
Payment for buy-back of equity	16	(874)	(2,927)
Distributions paid		(18,907)	(22,375)
Net cash outflow from financing activities		(15,231)	(27,242)
Net (decrease) in cash and cash equivalents		(266)	(697)
Cash and cash equivalents at the beginning of the financial year		1,873	2,570
Cash and cash equivalents at the end of the financial year	19	1,607	1,873

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of significant accounting policies

Statement of compliance & basis of preparation

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group, as detailed in note 15 to these accounts. For the purposes of preparing these consolidated financial statements, the Group is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The financial statements were authorised for issue by the Directors on 22 August 2016.

These consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of investment properties and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of A-IFRS that have a significant effect on the financial statements and estimates with a significant risk of a material adjustment in the next financial year are disclosed, where applicable, in the relevant notes to the financial statements.

The accounting policies set out below have been applied in preparing the financial statements for the financial year ended 30 June 2016 and the comparative information presented in these financial statements.

Application of new and revised Accounting Standards

In the current year, the Fund has applied the amendments to AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2015, and therefore relevant for the current year end.

AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'

This amendment completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

Rounding off of amounts

The Trust is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise stated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report for the financial year ended 30 June 2016:

(a) Revenue recognition

(i) Investment property

The fair value model has been chosen in relation to all investment properties, as it will give the most relevant information regarding transactions and the financial position of the Group. The fair value model requires that the declared values reflect market conditions at the end of the reporting period. Independent valuations are performed on a regular basis.

Any increases or decreases in the carrying amount of investment property resulting from fair value adjustments are recognised as a gain / (loss) in the consolidated statement of profit or loss and other comprehensive income.

(ii) Rental income

Rental income from properties is recognised on a straight-line basis over the lease term. Rental income not received at reporting date, is reflected in the consolidated statement of financial position as a receivable or if paid in advance, as rent in advance.

(iii) Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(b) Expenses

All expenses, including responsible entity fees, are recognised in the consolidated statement of profit or loss and other comprehensive income on an accruals basis.

(c) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash in banks or other short term highly liquid investments, net of outstanding bank overdrafts.

Restricted cash is shown in the consolidated statement of financial position according to the timing of its release. Accordingly, cash that cannot be applied or used within the next twelve months is shown as a non-current asset. All other cash and cash equivalents are shown as current assets.

(d) Financing costs

Financing costs comprise interest expense on borrowings. All borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income using the effective interest rate method.

Financing costs exclude borrowing costs capitalised to qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are capitalised as part of that asset. Capitalisation of borrowing costs cease during extended periods in which active development is interrupted. When a development is complete and ceases to be a qualifying asset, borrowing costs are expensed as incurred.

(e) Loans and receivables

Trade and sundry receivables are recorded at amortised cost less impairment. Trade receivables are due within thirty days. Trade receivables are reviewed regularly and bad debts are written off when identified. A specific allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the amounts due according to the original terms of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

(f) Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in consolidated statement of profit or loss and other comprehensive income in the period in which the property is derecognised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(g) Distributions

A liability for any distribution declared on or before the end of the reporting period is recognised in the consolidated statement of financial position in the reporting period to which the distribution pertains.

(h) Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

(i) Income tax

Income tax on the profit or loss for the financial year comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income. Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes. The following temporary differences are not provided for; goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of the deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount or assets and liabilities, using tax rates enacted or substantively enacted at balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax is recognised as an expense or income in the consolidated statement of profit or loss and other comprehensive income.

(j) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

(k) Impairment

(i) Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that as a result of one or more events that occurred after the initial recognition of the financial asset the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(ii) Impairment of other tangible assets

At each reporting date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or cash generating unit) for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(l) Payables

Trade payables and other accounts payable represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are usually paid within 30 days of recognition. They are recognised at amortised cost, which for the Group is the fair value of consideration to be paid in the future for the goods and services received.

(m) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the borrowing using the effective interest rate method.

(n) Leases and lease incentives

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

(o) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective Interest Rate

The effective interest rate method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Income is recognised on an effective interest rate basis for debt instruments other than those financial assets classified as at FVTPL.

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 14.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity, is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in consolidated statement of profit or loss and other comprehensive income. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equities

Equity instruments

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

Repurchase of the Group's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in consolidated statement of profit or loss and other comprehensive income. The net gain or loss recognised in consolidated statement of profit or loss and other comprehensive income incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 14.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other financial liabilities are subsequently measured at amortised cost using the effective interest rate method, with interest expense recognised on an effective yield basis.

The effective interest rate method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in consolidated statement of profit or loss and other comprehensive income.

(p) Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to interest rates such as interest rate swaps.

Derivatives are categorised as held for trading and are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit and loss immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in profit and loss depends on the nature of the hedge relationship.

(q) Issued units

Issued and paid up units are recognised at the fair value of the consideration received by the Trust. Any transaction costs arising on issue of ordinary units are recognised directly in unitholders' interest as a reduction of the unit proceeds received.

(r) Provisions

Provisions are recognised when the Group has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Group has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(s) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including structured entities) controlled by the Trust and its subsidiaries. Control is achieved when the Trust:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Trust reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

- the size of the Trust's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Trust, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Trust has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Trust obtains control over the subsidiary and ceases when the Trust loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Trust gains control until the date when the Trust ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Trust and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Trust and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Trust.

When the Group loses control of a subsidiary, a gain or loss is recognised in consolidated statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(t) Investment in joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in

substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of AASB 139 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

(u) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in consolidated statement of profit or loss and other comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in consolidated statement of profit or loss and other comprehensive income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard. Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in consolidated statement of profit or loss and other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

(v) Earnings per security

(i) Basic earnings per security

Basic earnings per security is calculated as net profit attributable to unitholders of the Group for the year divided by the weighted average number of ordinary securities outstanding during the year, adjusted for bonus elements in ordinary securities issued during the year.

(ii) Diluted earnings per security

Diluted earnings per security adjusts the figures used in the determination of basic earnings per security to take into account the effect of interest and other financing costs associated with dilutive potential ordinary securities and the weighted average number of securities assumed to have been issued for no consideration in relation to dilutive potential ordinary securities. As there are no potentially dilutive securities on issue, diluted earnings per security is the same as basic earnings per security.

(w) Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset (or disposal group) is available for immediate sale in its present condition subject only to terms that are usual and customary for sales for such assets (or disposal groups) and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

When the Group is committed to a sale plan involving disposal of an investment, or a portion of an investment, in an associate or joint venture, the investment or the portion of the investment that will be disposed of is classified as held for sale when the criteria described above are met, and the Group discontinues the use of the equity method in relation to the portion that is classified as held for sale. Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale continues to be accounted for using the equity method. The Group discontinues the use of the equity method at the time of disposal when the disposal results in the Group losing significant influence over the associate or joint venture.

After the disposal takes place, the Group accounts for any retained interest in the associate or joint venture in accordance with AASB 139 unless the retained interest continues to be an associate or a joint venture, in which case the Group uses the equity method (see the accounting policy regarding investments in associates or joint ventures above). Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(x) Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective. These are not expected to have any material impact on the Group's financial report in future reporting periods.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective date of AASB 15'	1 January 2018	30 June 2019
AASB 16 'Leases'	1 January 2019	30 June 2020
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture', AASB 2015-10 'Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128'	1 January 2018	30 June 2019
AASB 2015-1 'Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017
AASB 2016-1 'Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses'	1 January 2017	30 June 2018
AASB 2016-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107'	1 January 2017	30 June 2018

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations (for which Australian equivalent Standards and Interpretations have not yet been issued) were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. Accounting estimates and Judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires the Responsible Entity to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are discussed below.

Estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical accounting estimates and assumptions

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

The Group had investment properties with a net carrying amount of \$386,139,000 (2015: \$399,883,000) (see note 10), representing estimated fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Group, as well as independent valuations of the Group's property.

(b) Critical judgements in applying the entity's accounting policies

Judgements made by management in the application of AASBs that have a significant affect on the financial report and estimates with a significant risk of material adjustment in the next financial year are as follows:

■ Fair value of investment properties

Note 10 outlines the fair value of the properties of the Group and the valuation techniques used to determine these fair values. Significant judgement is required to estimate the future cash flows used to calculate the fair value of investment properties. In making their judgement, the Directors have considered internal and external valuations and the appropriateness of future cash flows and capitalisation rates applied.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. Other income

	2016 \$'000	2015 \$'000
Other income	41	-

4. Finance costs

	2016 \$'000	2015 \$'000
Interest on bank borrowings (i)	5,767	5,939
Amortisation of borrowing costs	273	323
	6,040	6,262

(i) The Group has a revolving credit facility with ANZ and NAB which provides the Group with \$165m of flexible debt (2015: \$155m). As at 30 June 2016, \$140.11m (2015: \$135.56m) of this facility has been drawn down. The Group has a number of interest rate swaps to hedge its risk to changes in the interest rate. Refer to note 14 for details of the fair value of the interest rate swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. Income tax expenses

	2016 \$'000	2015 \$'000	
(a) Income tax (benefit) / expense recognised in the consolidated statement of profit or loss and other comprehensive income			
The components of tax (benefit) / expense comprises:			
Current tax expense	-	79	
Deferred tax (benefit) / expense relating to the origination and reversal of temporary differences	(234)	(78)	
Overprovision from prior years	-	(5)	
	(234)	(4)	
(b) Reconciliation between tax expense and pre-tax net profit			
Profit from continuing operations	31,027	22,768	
Less: Profit of the group relating to non-taxable Trust entities	(31,917)	(20,741)	
Taxable (loss) / profit of group	(890)	2,027	
Prima facie tax payable @ 30% (2015: 30%)	(267)	608	
Add/(subtract) the tax effect of:			
Unused tax losses recognised in deferred tax asset	-	93	
Previously unrecognised and unused tax losses and deductible temporary differences now recognised as deferred tax assets	-	(662)	
Effect of expenses that are not deductible in determining taxable profit	24	-	
Other	9	(38)	
Overprovision from prior years	-	(5)	
Income tax benefit	(234)	(4)	
	Opening balance \$000	Recognised in profit or loss \$000	Closing balance \$000
(c) Deferred tax assets and liabilities			
Deferred tax assets and liabilities are attributable to the following:			
Provisions and accruals	32	(362)	(330)
Allowance for doubtful debts	43	(43)	-
Capitalised acquisition costs	306	9	315
Capitalised borrowing costs	1	(1)	-
Investment properties	(3,030)	(10)	(3,040)
Fair value adjustments on derivatives	345	141	486
Tax losses carried forward	-	500	500
	(2,303)	234	(2,069)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. Auditor's remuneration

	2016 \$	2015 \$
Assurance services		
<i>Audit services</i>		
Audit of financial reports and other audit work under the Corporations Act 2001	125,500	125,500
Total remuneration for audit services	125,500	125,500
Other assurance services		
Compliance plan audit services	8,000	8,000
Total remuneration for other assurance services	8,000	8,000
Total auditor's remuneration	133,500	133,500

The auditor of the Group is Deloitte Touche Tohmatsu.

7. Distributions

Distributions recognised in the financial year by the Group are detailed below:

Distributions 2016	Cents per security	Total amounts \$'000
Half-year ended:		
December 2015	7.50	9,226
June 2016	8.00	9,842
Total	15.50	19,068

Distributions 2015	Cents per security	Total amounts \$'000
Half-year ended:		
December 2014	8.36	10,450
June 2015	7.84	9,681
Total	16.20	20,131

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. Trade and other receivables

	2016 \$'000	2015 \$'000
Current		
Rent debtors	2,021	4,366
Allowance for doubtful debts	-	(374)
	2,021	3,992

Accounts receivable are non-interest bearing and are generally on 0-30 day terms. An allowance for doubtful debts would be recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2016, no receivables were impaired (2015: \$374,000).

The ageing analysis of accounts receivable not impaired as at 30 June 2016 is as follows:

- Consolidated 0-30 days \$1,787,000 (2015: \$3,872,000)
- Consolidated 31-90 days \$234,000 (2015: \$120,000)
- Consolidated 90+days Nil (2015: Nil)

9. Other assets

	2016 \$'000	2015 \$'000
Current		
Prepayments	354	344
Income tax recoverable	-	82
Other	1	93
	355	519
Non-Current		
Deferred charges	-	89
	-	89

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. Investment properties

Investment properties represent the industrial and business park properties held by the Group for rental income.

	2016 \$'000	2015 \$'000
Industrial and office properties (b)	383,051	396,400
Land held for future development (c)	3,088	3,483
Total	386,139	399,883

(a) Reconciliation of carrying amount

The following is a reconciliation of the carrying amounts of investment properties at the beginning and end of the financial year:

	2016 \$'000	2015 \$'000
Carrying amount at beginning of the financial year	399,883	403,971
Additions at cost: industrial and office properties	1,302	1,128
Disposals	(1,163)	(10,190)
Movement in deferred lease incentives	2,140	1,717
Straight line revenue recognition	3,675	-
Net gain in fair value adjustments ¹	12,026	3,257
Property reclassified as held for sale (note 23)	(31,724)	-
Carrying amount at end of the financial year	386,139	399,883

¹ The net gain in fair value adjustments is wholly unrealised and has been recognised as "net gain in fair value adjustments on investment properties" in the consolidated statement of profit or loss and other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Industrial and office properties

	Ownership interest	Fair value 30 June 2016 \$'000	Fair value 30 June 2015 \$'000	Latest independent valuation date	Valuer
34 Australis Drive, VIC	100%	24,000	21,650	31 Dec 2015	Urbis
80-96 South Park Drive, VIC	100%	20,200	18,650	31 Dec 2015	Urbis
89 West Park Drive, VIC	100%	17,387	15,750	31 Dec 2015	Urbis
32-40 Garden Street, VIC	100%	14,696	14,800	31 Dec 2015	Urbis
5 Butler Blvd, SA	100%	12,500	12,800	30 Jun 2015	Savills
140 Sharps Road, VIC	100%	13,500	13,100	31 Dec 2015	Urbis
7 Clunies Ross and 17-19 McKechnie Drive, QLD	100%	39,000	37,200	30 Jun 2016	Knight Frank
8 Clunies Ross and 9 McKechnie Drive, QLD	100%	21,375	23,500	30 Jun 2016	Knight Frank
7 Brandl St, QLD ²	100%	-	22,200	30 Jun 2015	LMW
37 Brandl St, QLD	100%	13,170	13,650	30 Jun 2015	LMW
18 Brandl St, QLD	100%	11,500	11,800	30 Jun 2015	LMW
88 Brandl St, QLD	100%	13,475	14,000	30 Jun 2016	Knight Frank
85 Brandl St, QLD ²	100%	-	5,000	31 Dec 2015	LMW
Building A, 1 Homebush Bay Drive, NSW	100%	89,816	81,000	31 Dec 2015	Knight Frank
Building C, 1 Homebush Bay Drive, NSW	100%	54,732	51,600	31 Dec 2015	Knight Frank
BTP Central, QLD	100%	37,700	39,700	30 Jun 2016	Knight Frank
Total consolidated entity		383,051	396,400		

² The fair value of the above assets has been determined based on their net realisable values. These assets are assets classified as held for sale as at 30 June 2016, refer note 23.

The fair value of assets which have not been independently valued at 30 June 2016 have been determined based on Directors' valuations.

At 30 June 2016 included within the investment property fair value is a deduction for \$6,146,000 representing lease incentive commitments the Group will need to pay under the lease contracts (2015: \$857,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Land held for future development

	Ownership interest	Fair value 30 June 2016 \$'000	Fair value 30 June 2015 \$'000	Latest independent valuation date	Valuer
Lot 3, Brandl Street, QLD (Note (i))	100%	-	1,021	30 Sept 2013	Colliers
45 and 45B McKechnie Drive, QLD (ii)	100%	3,088	2,462	31 Dec 2014	LMW
Total consolidated entity		3,088	3,483		

(i) Sale of Lot 3, Brandl Street

On 5 February 2016, the Group disposed of Lot 3, Brandl St, QLD for consideration of \$1,168,000. The disposal resulted in a gain of \$3,000 which is recognised in the consolidated statement of profit or loss and other comprehensive income in the current financial year.

(ii) BTP Co-operation Agreement

As outlined in the Product Disclosure Statement and Prospectus dated 28 October 2013, a Co-operation Agreement is in existence between Industria and Graystone Pty Ltd (Graystone), Graystone was the property manager of Industria's Brisbane Technology Park portfolio until December 2015, at which time CBRE took over as the property manager. Graystone retain option rights, under the Co-operation Agreement, over 45 and 45B McKechnie Drive at BTP Central (refer above). The exercise price of the option under the Co-operation Agreement is broadly in line with the disclosed fair value.

The options expire in December 2016, and the Directors have been informed Graystone are likely to exercise some or all of their option rights.

(d) Fair value measurement, valuation techniques and inputs

In determining the appropriate classes of investment property, management has considered the nature, characteristics and risks of its investment properties as well as the level of fair value hierarchy within which the fair value measurements are categorised.

Fair Value Hierarchy	Fair value 30 June 2016 \$'000	Valuation Technique	Inputs used to measure fair value	Range of unobservable inputs
Level 3	383,051	DCF and income capitalisation method	Net passing rent (per sqm p.a.) Net market rent (per sqm p.a.) 10 year average market rental growth Adopted capitalisation rate Adopted terminal yield Adopted discount rate	\$67 - \$473 \$70 - \$647 1.50% - 4.40% 7.00% - 9.75% 7.25% - 10.50% 8.00% - 10.75%
Level 3	3,088	Direct comparison method	Sales price per sqm	\$500

The adopted valuation for investment properties is the mid-point of the valuations determined using the discounted cash flow (DCF) method and the income capitalisation method. The adopted valuation for land held for future development is based on the direct comparison method. The DCF, income capitalisation and direct comparison methods use unobservable inputs in determining fair value, as per the table above.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(d) Fair value measurement, valuation techniques and inputs (continued)

Discounted cash flow method	Under the DCF method, a property's fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the income stream associated with the real property.
Income capitalisation method	This method involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure reversions.
Direct comparison approach	Under the direct comparison method, sales of similar land holdings with development potential are analysed at a rate per sqm of site area. This is then compared to the subject having regard to the value influencing factors such as location, site conditions, approvals, proposed development and relativity of the market conditions at the time of sale.
Net passing rent	Net passing rent is the contracted amount for which a property or space within a property is leased. In the calculation of net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
Net market rent	A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. In the calculation of net rent, the owner recovers outgoings from the tenant on a pro-rata basis (where applicable).
10 year average market rental growth	An average of a 10 year period of forecast annual percentage growth rates.
Adopted capitalisation rate	The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence and the prior external valuation.
Adopted terminal yield	The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence and the prior external valuation.
Adopted discount rate	The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence and the prior external valuation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(e) Valuation process

The aim of the valuation process is to ensure that assets are held at fair value in the Group's accounts and that the Group is compliant with applicable regulations (for example the Corporations Act and ASIC regulations).

The Group's external valuations are performed by independent professionally qualified valuers who hold a recognised relevant professional qualification and have specialised expertise in the investment properties valued. Internal valuations have been performed by the Group's internal valuers, reviewed and accepted by the Board of Directors of the Responsible Entity. It is Group policy to have all properties independently valued at least every two years.

If external valuations are not obtained on the reporting date, internal valuations are performed by utilising the information from a combination of asset plans and forecasting tools prepared by the asset management teams. Appropriate capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent external valuation parameters are used to produce a capitalisation and discounted cash flow valuation. The adopted value is generally a mid-point of these two approaches.

(f) Sensitivity information

Significant inputs	Fair value measurement sensitivity to significant increase in input	Fair value measurement sensitivity to significant decrease in input
Net passing rent	Increase	Decrease
Net market rent	Increase	Decrease
10 year average market rental growth	Increase	Decrease
Adopted capitalisation rate	Decrease	Increase
Adopted terminal yield	Decrease	Increase
Adopted discount rate	Decrease	Increase

Generally, a change in the assumption made for the adopted capitalisation rate is accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the income capitalisation approach and the adopted terminal yield forms part of the discounted cash flow approach. The mid-point of the two valuations is then adopted.

When calculating the income capitalisation approach, the net market rent has a strong interrelationship with the adopted capitalisation rate given the methodology involves assessing the total net market income receivable from the property and capitalising this in perpetuity to derive a capital value. In theory, an increase in the net market rent and an increase (softening) in the adopted capitalisation rate could potentially offset the impact to the fair value. The same can be said for a decrease in the net market rent and a decrease (tightening) in the adopted capitalisation rate. A directionally opposite change in the net market rent and the adopted capitalisation rate could potentially magnify the impact to the fair value.

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving a fair value given the discount rate will determine the rate in which the terminal value is discounted to the present value.

In theory, an increase (softening) in the adopted discount rate and a decrease (tightening) in the adopted terminal yield could potentially offset the impact to the fair value. The same can be said for a decrease (tightening) in the discount rate and an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield could potentially magnify the impact to the fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(g) Highest and best use

For all investment properties the current use equates to the highest and best use.

(h) Leasing arrangements

The investment properties are leased to tenants under long term operating leases. Rentals are receivable from the tenants monthly. Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements as receivable are as follows:

	2016 \$'000	2015 \$'000
Within one year	27,139	30,427
More than one year but not more than five years	122,516	95,688
More than five years	38,810	49,267
Total	188,465	175,382

(i) Properties pledged as security

At 30 June 2016 and 30 June 2015, the Group's debt facility is secured by first ranking mortgages over all of the investment properties held by the Group.

At 30 June 2016, the carrying amount of the investment properties and assets classified as held for sale pledged as collateral was \$417,863,000 (2015: \$399,883,000). The debt facility imposes certain financial covenants with respect to the secured investment properties. These covenants include maintenance of the financial ratios outlined in note 12.

(j) Amounts recognised in the consolidated statement of profit and loss for investment properties

	2016 \$'000	2015 \$'000
Rental income	37,956	39,117
Direct operating expenses	(8,841)	(9,473)
Net gain in fair value adjustments	12,026	3,257
Net gain on sale of investment properties	3	668
Net amount recognised in profit and loss for investment properties	41,144	33,569

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. Payables

	2016 \$'000	2015 \$'000
Current		
Trade payables	108	65
Accruals and other creditors	4,582	5,943
GST payable	277	207
	4,967	6,215
Non-current		
Rental bond received from tenants	240	180
	240	180

12. Borrowings

	2016 \$'000	2015 \$'000
Non-current		
Bank loans – secured	139,263	134,669
	139,263	134,669
Financing arrangements		
The Group has access to the following lines of credit:		
Loan facility limit	165,000	155,000
Facilities drawn at balance date	140,110	135,560
Facilities not drawn at balance date	24,890	19,440

At 30 June 2015, the Group had available liquidity of \$19,440,000 (2014: \$17,500,000).

Summary of borrowing arrangements

The Group has a revolving credit facility with major Australian financial institutions, with a remaining maturity profile not exceeding 5 years. The weighted average effective interest rate on the loans is 3.49% (2015: 3.66%). During the financial year, the Group extended the debt facilities by 12 months such that the new maturity dates are 5 December 2018 and 5 December 2020. The facility limit was increased from \$155m to \$165m.

The Group has entered into interest rate swap contracts exchanging variable rate interest for fixed rate interest. The movement in the fair value of the interest rate swaps has been recognised in the consolidated statement of profit or loss and other comprehensive income in the current financial year as hedge accounting has not been applied.

The debt facility imposes certain financial covenants with respect to the secured investment properties. These covenants include maintenance of the following financial ratios at the reporting date:

- The loan to valuation ratio will not exceed 55% at all times
- The gearing ratio will not exceed 55%
- The ratio of net rental income to interest costs under the facility will not fall below 2.0 times
- The portfolio weighted average lease length to expiry will be greater than 2.5 years.

Included in the carrying value of borrowings are capitalised borrowing costs of \$847,000 (2015: \$891,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13. Provisions

	2016 \$'000	2015 \$'000
Current		
Provision for future tenant rebate*	-	385
Movements in provisions:		
At beginning of the financial year	385	385
Utilised during the financial year	(385)	-
At end of the financial year	-	385

* Provision for future tenant rebate was an incentive for a current tenant to remain with Industria Company No. 1 Ltd. The incentive was paid during the current financial year.

14. Financial instruments

The Group undertakes transactions in a range of financial instruments including:

- cash and cash equivalents;
- receivables;
- payables;
- borrowings; and
- derivative financial instruments.

These activities expose the Group to a variety of financial risks including credit risk, liquidity risk and market risk which includes interest rate risk and other price risks.

The overall risk management program seeks to mitigate these risks and reduce volatility on the Group's financial performance. Financial risk management is carried out centrally by the Responsible Entity under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and the investment of excess liquidity.

(a) Financial risk management objectives

The Group outsources the investment management to APN Funds Management Limited, who provide services to the Group, co-ordinates access to domestic financial markets, and manages the financial risks relating to the operations of the Group in accordance with an investment mandate set out in accordance with the Group's constitution and product disclosure statement. The Responsible Entity has determined that the appointment of these managers is appropriate for the Group and is in accordance with the Group's investment strategy.

The Group's overall risk management program focuses on ensuring compliance with the Group's product disclosure statement and seeks to maximise the returns derived for the level of risk to which the Group is exposed.

The Group's investment objective is to provide investors with a consistent, relatively high level of income combined with some capital growth, sourced from an appropriately wide spread of property-based revenue streams. The Group invests in Australian direct properties.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial derivatives is governed by the Group's investment policies, which provide written principles on the use of financial derivatives. Compliance with policies and exposure limits is reviewed by the Responsible Entity on a continuous basis.

It is the Responsible Entity's aim to invest in such a way that any risks the Group is exposed to are minimised, while at the same time endeavouring to achieve the investment objectives of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset and financial liability are disclosed in note 1 to the financial statements.

(c) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital. This objective is implemented on a stapled securities group basis (i.e. for Industria REIT).

Industria REIT's capital position is primarily monitored through its ratio of net debt to the fair value of the investment properties ("Gearing Ratio"). Industria REIT's strategy is to maintain the Gearing Ratio in the range of 30% to 40%. As at 30 June 2016 Industria REIT's Gearing Ratio was 33.1% (2015: 33.4%).

The gearing ratio was calculated as follows:

	Notes	2016 \$'000	2015 \$'000
Total interest bearing debt	12	140,110	135,560
Less: cash and cash equivalents	19	(1,607)	(1,873)
Net debt		138,503	133,687
Value of property portfolio ¹	10, 23	417,863	399,883
Gearing Ratio		33.1%	33.4%

¹ Includes investment property and assets classified as held for sale.

(d) Categories of financial instruments

The Group has investments in the following categories of financial assets and liabilities:

Consolidated	2016 \$'000	2015 \$'000
Financial Assets		
Loans and receivables	2,376	4,600
Financial Liabilities		
Financial liabilities measured at amortised cost	(154,312)	(150,745)
Financial liabilities designated as at fair value through profit or loss	(4,308)	(3,085)

The carrying amount of interest-bearing liabilities in the Group as at 30 June 2016 is \$139,263,000 (2015: \$134,669,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(e) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group.

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

Credit risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. The Group has adopted the policy of only dealing with creditworthy counterparties and obtaining sufficient collateral or other security where appropriate, as a means of mitigating the financial risk of financial loss from default. The Group's investment objective is to find high quality customers predominately with a stable credit history. The Group measures credit risk on a fair value basis.

The maximum exposure to credit risk as at 30 June 2016 and at 30 June 2015 is the carrying amounts of financial assets recognised in the consolidated statement of financial position of the Group. The Group holds no collateral as security and the credit quality of all financial assets that are neither past due nor impaired is consistently monitored in order to identify any potential adverse changes in the credit quality. The Group does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics.

Derivative counterparties and cash transactions are limited to financial institutions that meet the treasury risk management policy's minimum credit rating criteria. Credit risk arising on loans and receivable balances is monitored on an ongoing basis with the result that the exposure to bad debts by the Group is not significant. There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

The decision to accept the credit risk associated with leasing space to a particular tenant is balanced against the risk of the potential financial loss of not leasing up vacant space.

The Responsible Entity believes that the Group's receivables that are neither past due nor impaired do not give rise to any significant credit risk.

(f) Liquidity risk

Liquidity risk includes the risk that the Group, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. To help reduce these risks the Group:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- has a debt maturity policy which targets a maximum percentage of total debt maturing in any one 12 month period; and
- has a loan covenant target to ensure that the Group can withstand downward movement in valuations, a reduction in income and increase in interest rates without breaching loan facility covenants.

The Group's main liquidity risk is its ability to refinance its current borrowings. Realised profits generated by the Group are to be returned to unitholders as described in the Group's Constitution and as such realised profits are not used to support the refinancing activities or the Group. To assist in mitigating refinancing risk, the Responsible Entity is in regular contact with the financial institutions.

The table on the next page shows an analysis of the contractual maturities of key liabilities which forms part of the Group's assessment of liquidity risk excluding liabilities attributable to unitholders:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(f) Liquidity risk (continued)

Consolidated	Within 1 year \$'000	Between 1 and 2 years \$'000	Over 2 years \$'000	Total contractual cash flows \$'000	Carrying amounts \$'000
2016					
Liabilities					
Lease incentives payable	6,146	-	-	6,146	6,146
Payables – current	4,967	-	-	4,967	4,967
Payables – non-current	-	-	256	256	240
Distribution payable	9,842	-	-	9,842	9,842
Interest-bearing liabilities	4,809	4,884	146,576	156,269	139,263
Interest rate swaps	1,042	1,278	1,988	4,308	4,308
	26,806	6,162	148,820	181,788	164,766
2015					
Liabilities					
Lease incentives payable	857	-	-	857	857
Payables – current	6,215	-	-	6,215	6,215
Payables – non-current	-	-	192	192	180
Distribution payable	9,681	-	-	9,681	9,681
Interest-bearing liabilities	5,567	5,482	142,887	153,936	134,669
Interest rate swaps	1,216	1,036	833	3,085	3,085
	23,536	6,518	143,912	173,966	154,687

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(g) Derivatives – interest rate swap contracts

The Group has a debt facility with a floating interest rate being applied. A series of interest rate swaps have been entered into thereby fixing the interest rate on the debt.

The following table details the notional principal amounts and fair value of the interest rate swap contracts outstanding:

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding \$	Fair value assets \$'000	Fair value (liabilities) \$'000
As at 30 June 2016					
ANZ					
Interest rate swap	February 2021	Interest rates	15,000	-	(559)
Interest rate swap	February 2021	Interest rates	10,000	-	(485)
Interest rate swap	January 2020	Interest rates	10,000	-	(577)
Interest rate swap	June 2019	Interest rates	5,000	-	(270)
Interest rate swap	February 2019	Interest rates	5,000	-	(274)
NAB					
Interest rate swap	February 2021	Interest rates	15,000	-	(550)
Interest rate swap	February 2021	Interest rates	10,000	-	(479)
Interest rate swap	January 2020	Interest rates	10,000	-	(573)
Interest rate swap	June 2019	Interest rates	5,000	-	(269)
Interest rate swap	February 2019	Interest rates	5,000	-	(272)
				-	(4,308)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(g) Derivatives – interest rate swap contracts (continued)

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding \$'000	Fair value assets \$'000	Fair value (liabilities) \$'000
As at 30 June 2015					
ANZ					
Interest rate swap	January 2016	Interest rates	20,000	-	(109)
Interest rate swap	January 2018	Interest rates	15,000	-	(360)
Interest rate swap	February 2018	Interest rates	10,000	-	(333)
Interest rate swap	January 2020	Interest rates	10,000	-	(286)
Interest rate swap	February 2019	Interest rates	5,000	-	(246)
Interest rate swap	June 2019	Interest rates	5,000	-	(210)
NAB					
Interest rate swap	January 2016	Interest rates	20,000	-	(108)
Interest rate swap	January 2018	Interest rates	15,000	-	(359)
Interest rate swap	February 2018	Interest rates	10,000	-	(332)
Interest rate swap	January 2020	Interest rates	10,000	-	(286)
Interest rate swap	February 2019	Interest rates	5,000	-	(246)
Interest rate swap	June 2019	Interest rates	5,000	-	(210)
				-	(3,085)

During the year, the Group recognised a loss of \$1,224,000 (2015: \$1,776,000) on interest rate swaps.

The interest rate swap settles on a monthly basis. The floating rate on the debt being applied is the Australian BBSY. The counterparty settles the difference between the fixed and floating interest rate if the fixed rate is higher on a net basis.

	2016 \$'000	2015 \$'000
Current liabilities		
Interest rate swap contracts	1,042	1,216
Non-current liabilities		
Interest rate swap contracts	3,266	1,869

The interest rate swaps have not been identified as hedging instruments and any movements in the fair value are recognised immediately in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(h) Market risk

Market risk is the risk that the fair value of future cash flows of the Group's financial instruments will fluctuate because of changes in market prices. The Responsible Entity manages the financial risks relating to the operations of the Group in accordance with an investment mandate set out in accordance with the Group's constitution and product disclosure statement. The Group's investment mandate is to provide investors with a consistent, relatively high level of income combined with some capital growth, sourced from an appropriately wide spread of property-based revenue streams. There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risk. Components of market risk to which the Group is exposed are interest rate risk and price risk.

Interest rate risk

The Group's interest bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The risk is measured using sensitivity analysis.

As at balance date, the Group's exposure to interest rates is as follows:

Assets: Cash and cash equivalents at fair values of \$1,607,000 (2015: \$1,873,000) with a weighted average interest rate of 1.96% (2015: 2.47%).

Liabilities: Interest-bearing liabilities at amortised cost of \$139,263,000 (2015: \$134,669,000) with a weighted average interest rate of 3.49% (2015: 3.66%).

Interest rate sensitivity

The sensitivity analysis below has been determined based on the Group's exposure to interest rates at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period, in the case of instruments that have floating interest rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The interest rate movements have been determined based on management's best estimate, having regard to historical levels of changes in interest rates and the current debt environment in which the Group operates.

Actual movements in the interest rate may be greater or less than anticipated due to a number of factors, including unusually large market shocks both in the global and domestic property markets. As a result, historic variations in interest rates are not a definitive indicator of future variations.

Consolidated	Net Profit	
	100bp increase \$'000	100bp decrease \$'000
30 June 2016		
Variable rate instruments	(414)	414
Derivative financial instruments	3,395	(3,384)
	2,981	(2,970)
30 June 2015		
Variable rate instruments	(376)	376
Derivative financial instruments	2,830	(2,973)
	2,454	(2,597)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Fair value of financial instruments

The Directors of the Responsible Entity consider that the carrying amount of financial assets and financial liabilities recorded in the financial statements approximate their fair values.

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2016, grouped into Levels 1 to 3 based on the degree to which the fair value inputs is observable:

- Level 1 fair value measurements are those derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value measurement as at 30 June 2016				
Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at FVTPL				
Interest rate swaps	-	(4,308)	-	(4,308)
Total	-	(4,308)	-	(4,308)

Fair value measurement as at 30 June 2015				
Consolidated	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial liabilities at FVTPL				
Interest rate swaps	-	(3,085)	-	(3,085)
Total	-	(3,085)	-	(3,085)

There were no transfers between Levels during the financial year.

The interest rate swaps have been valued using discounted cash flow approach. Future cash flows are estimated based on forward interest rates (from observable forward interest rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. Controlled entities

	Country of incorporation	Percentage owned (%)	
		2016	2015
Parent entity			
Industria Trust No. 1	Australia		
Controlled entities of Industria Trust No. 1			
South Park Investment Trust	Australia	100	100
West Park Investment Trust	Australia	100	100
Tullamarine Investment Trust	Australia	100	100
Kilsyth Investment Trust	Australia	100	100
West Park Investment Trust No. 2	Australia	100	100
Burbridge Investment Trust	Australia	100	100
Rhodes Investment Trust	Australia	100	100
Non-controlling Interests			
Industria Trust No. 2	Australia	-	-
Industria Trust No. 3	Australia	-	-
APN Robinson Road Industrial Property Fund	Australia	-	-
APN Technology and Business Park Property Fund	Australia	-	-
Industria Finance Trust	Australia	-	-
APN Technology and Business Park Property Fund No. 1	Australia	-	-
Industria Trust No. 4	Australia	-	-
Industria Company No. 1 Ltd	Australia	-	-
APN DF1 SPV1 (Qld) Pty Ltd	Australia	-	-
APN DF1 SPV2 (Qld) Pty Ltd	Australia	-	-
APN DF1 SPV3 (Qld) Pty Ltd	Australia	-	-
McKechnie Drive Pty Ltd	Australia	-	-
BTP Central Pty Ltd	Australia	-	-

Industria Trust No. 2, Industria Trust No. 3 (and its controlled entities), Industria Trust No. 4 and Industria Company No. 1 Ltd (and its controlled entities) were acquired through a stapling arrangement, and thus no ownership has been obtained. The financial results and financial position attributable to these entities are disclosed as 'non-controlling interests' in these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Details of non-wholly owned subsidiaries that have material non-controlling interests

The table below shows details of non-wholly owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2016 %	2015 %	2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Industria Trust No. 2	Australia	-	-	4,454	1,980	19,242	17,800
Industria Trust No. 3	Australia	-	-	4,771	1,619	18,915	16,319
Industria Trust No. 4	Australia	-	-	(1,533)	2,814	9,578	11,651
Industria Company No. 1 Ltd	Australia	-	-	(656)	2,032	37,404	38,778
						85,139	84,548

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16. Contributed equity

As part of the stapling transaction, Industria Trust No. 1 has been identified as the acquirer of the other stapled entities. The results and equity of these entities are presented as non-controlling interests in these consolidated financial statements on the basis that Industria Trust No. 1 has not obtained ownership as a result of the stapling.

For financial information, please refer to the financial statements of Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd.

	Securities issued/ (bought back)	Cumulative securities	\$'000
Reconciliation of securities in issue – 2016			
Securities at the beginning of the financial year		123,488,399	
Buy-back of contributed equity	(469,208)	123,019,191	(874)
Securities at the end of the financial year		123,019,191	
Reconciliation of securities in issue – 2015			
Securities at the beginning of the financial year		125,000,001	
Buy-back of contributed equity	(1,511,602)	123,488,399	(2,927)
Securities at the end of the financial year		123,488,399	

During the financial year, the Group undertook a security buy-back programme and bought back 469,208 securities (2015: 1,511,602 securities) on market for \$874,000 (2015: \$2,927,000) as part of the entity's capital management strategy.

	2016 \$'000	2015 \$'000
Equity		
Capital and reserves attributable to unitholders:		
<i>Unitholders of Industria Trust No. 1</i>		
Contributed equity (a)	165,096	165,674
Retained earnings / (accumulated losses) (b)	10,922	(384)
Parent interest	176,018	165,290
<i>Unitholders of non-controlling interests</i>		
Contributed equity (a)	55,722	56,018
Retained earnings (b)	29,417	28,530
Non-controlling interests	85,139	84,548
Total unitholders interest	261,157	249,838

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

	2016 \$'000	2015 \$'000
(a) Contributed equity		
123,019,191 securities fully paid less issue costs (2015: 123,488,399 securities)	220,818	221,692
Movements in equity		
At beginning of the financial year	221,692	224,619
Bought back during the financial year	(874)	(2,927)
On issue at year end	220,818	221,692
Balance at the end of the year is attributable to		
Equity holders of Industria Trust No. 1	165,096	165,674
Equity holders of non-controlling interests	55,722	56,018
Total contributed equity	220,818	221,692
(b) Retained earnings		
<i>Unitholders of Industria Trust No. 1</i>		
Retained earnings / (accumulated losses)	10,922	(384)
<i>Unitholders of other stapled entities</i>		
Retained earnings	29,417	28,530
Total unitholders retained earnings	40,339	28,146
Movements in above unitholders' retained earnings comprise:		
Retained earnings at beginning of financial year	28,146	25,505
Net profit attributable to the unitholders	31,261	22,772
Distributions	(19,068)	(20,131)
Retained earnings at end of financial year	40,339	28,146

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. Non-controlling interests

	2016 \$'000	2015 \$'000
Interest in contributed equity	55,722	56,018
Interest in retained earnings	29,417	28,530
	85,139	84,548

Non-controlling interests represents Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd.

Movements in above non-controlling interests equity comprises:

	2016 \$'000	2015 \$'000
Balance at beginning of financial year	84,548	85,250
Bought back during the year	(296)	(942)
Net profit attributable to the unitholders	6,455	8,444
Distributions	(5,568)	(8,204)
Balance at end of financial year	85,139	84,548

18. Related parties

(a) Key Management Personnel

Directors

The Group does not employ personnel in its own right. However, it is required to have a Responsible Entity to manage the activities of the Trust and its controlled entities. As the Group does not employ personnel in its own right, there are no staff costs included in the consolidated statement of profit or loss and other comprehensive income.

No fees have been paid to the Directors of APN Funds Management Limited in their capacity as Directors of the Responsible Entity of the Group.

(b) The Responsible Entity

The Responsible Entity of Industria Trust No. 1 is APN Funds Management Limited ('APN FM').

APN FM is entitled to a base management fee of 0.55% per annum of the gross asset value of the Group (reducing to 0.50% p.a. of Gross Asset Value in excess of \$750m and 0.45% p.a. of gross asset value in excess of \$1,500m). During the financial year, \$2,318,000 (2015: \$2,219,000) has been incurred in management fees payable to APN FM.

At the reporting date, \$583,000 (2015: \$557,000) remains payable to the Responsible entity relating to the above management fees.

APN FM provides property management and leasing services to the Group. These services can be carried out by APN FM or sub-contracted to one or more third parties. In the event that APN FM provides property management or leasing services without engaging third parties, APN FM is entitled to charge a fee of up to 3% of annual gross income plus a leasing fee at market rates.

During the year, APN FM provided leasing services to the Group. Prior to 1 January 2016 APN FM was entitled to fees of \$517,000 (2015: \$325,000) in respect of leasing services provided, based on market rates. These fees have not been charged and will not be charged while APN FM is Responsible Entity of the Group. Subsequent to 1 January 2016, APN FM provided leasing services to the Group and consequently charged leasing fees totalling \$71,000 (2015: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(c) Interests of related entities

The responsible entity of Industria Trust No. 1 is APN Funds Management Limited. The ultimate parent company of APN Funds Management Limited is APN Property Group Limited.

The below table shows the number of Industria REIT securities held by related parties (including managed investment schemes for which a related party is the Responsible Entity or Investment Manager) and the distributions received or receivable are set out as follows.

Consolidated	Distributions Received/ Receivable 2016	Distributions Received/ Receivable 2015	Securities 2016	Securities 2015
APN Property Group Limited	2,601,738	1,380,053	17,068,109	10,938,179
APN AREIT Fund	759,619	658,584	4,900,766	4,400,766
APN CFS AREIT Fund	16,377	-	204,713	-
APN Property for Income Fund	123,225	191,970	795,000	1,185,000
APN Property for Income Fund 2	46,500	82,620	300,000	510,000
APN Unlisted Property Fund	-	181,937	-	729,929
Total	3,547,459	2,495,164	23,268,588	17,763,874

18.9% of the stapled securities of Industria REIT are held by related APN entities (2015: 14.4%).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. Cash flow information

Reconciliation of cash

For the purpose of the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and bank and short term deposits at call. Cash as at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to the related items in the consolidated statement of financial position as follows:

	2016 \$'000	2015 \$'000
Cash and cash equivalents	1,607	1,873
Reconciliation of profit after income tax to net cash inflow from operating activities		
Net profit for the financial year	31,261	22,772
Non-cash items:		
Straight line lease revenue recognition	(1,050)	(1,223)
Amortisation of borrowing costs	273	323
Movement in deferred lease incentives	(2,140)	(1,717)
Allowance for doubtful debts	337	374
Fair value loss on derivatives	1,224	1,776
Net gain in fair value adjustments on investment properties	(12,026)	(3,257)
Net gain on sale of investment properties	(3)	(668)
	17,876	18,380
Changes in assets/liabilities during the financial year:		
Increase in trade and other receivables	(820)	(72)
Decrease in payables	(1,723)	(1,904)
Decrease in deferred tax	(234)	(78)
Net cash inflows from operating activities	15,099	16,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. Parent entity financial information

Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

Statement of financial position	2016 \$'000	2015 \$'000
Current assets	5,035	9,033
Non-current assets	217,738	203,198
Total assets	222,773	212,231
Current liabilities	(9,510)	(8,517)
Non-current liabilities	(37,245)	(38,424)
Total liabilities	(46,755)	(46,941)
Net assets	176,018	165,290
Unitholders' equity		
Issued capital	165,096	165,674
Accumulated losses	10,922	(384)
Total unitholders equity	176,018	165,290
Profit for the financial year	24,806	14,328
Other comprehensive income	-	-
Total comprehensive income	24,806	14,328

At 30 June 2016, the parent entity had not provided guarantees (2015: Nil), has no contingent liabilities (2015: Nil) and no contractual commitments (2015: Nil).

21. Earnings per unit

	2016	2015
Profit attributable to unitholders (\$'000)	31,261	22,772
Weighted average number of securities outstanding (thousands)	123,093	124,965
Basic and diluted earnings per security (cents)	25.40	18.22

22. Segment information

The Group derives all income from investment in properties, which are located in Australia. The Group is deemed to have only one operating segment and that is consistent with the reporting reviewed by the chief operating decision makers.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. Assets classified as held for sale

	2016 \$000's	2015 \$000's
Investment property held for sale (i)	31,724	-
Liabilities associated with assets held for sale	-	-

(i) The Group entered into an unconditional contract to sell 7 Brandl St, Qld for \$25,500,000 on 21 April 2016 with settlement occurring on the 1 August 2016. On 28 June 2016 the Group entered into a Heads of Agreement to dispose 85 Brandl St, Qld for \$7,230,000. On 2 August 2016 an unconditional sale contract was signed and settlement is expected on 8 September 2016. Following the sale of these two assets held for sale the Group expects to receive \$31,724,000 (net of sales costs and settlement adjustments).

24. Commitments

The Group has no commitments as at 30 June 2016 (2015: Nil).

25. Contingent Liabilities and Contingent Assets

APN FM provides property management and leasing services to the Group. These services can be carried out by APN FM or sub-contracted to one or more third parties. In the event that APN FM provides property management or leasing services without engaging third parties, APN FM is entitled to charge a fee of up to 3% of annual gross income plus a leasing fee at market rates.

During the year, APN FM provided leasing services to the Group. Prior to 1 January 2016 APN FM was entitled to fees of \$517,000 (2015: \$325,000) in respect of leasing services provided, based on market rates. These fees have not been charged and will not be charged while APN FM is Responsible Entity of the Group.

The Group has no contingent assets as at 30 June 2016 (2015: Nil).

26. Events occurring after the reporting period

Other than those subsequent events disclosed in note 23 there have been no other significant events or transactions that have arisen since 30 June 2016 which, in the opinion of the Directors, would affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group.

27. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of Industria Trust No. 1.

Principal registered office

Level 30
101 Collins Street
MELBOURNE VIC 3000

Tel: (03) 8656 1000

Principal place of business

Level 30
101 Collins Street
MELBOURNE VIC 3000

Tel: (03) 8656 1000

DIRECTORS' DECLARATION

For the year ended 30 June 2016

The Directors of APN Funds Management Limited, the Responsible Entity of Industria Trust No. 1, 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) In the Directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;
- (c) In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (d) The Directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.295 (5) of the Corporations Act 2001.

On behalf of the Directors of the Responsible Entity, APN Funds Management Limited.



Geoff Brunsdon

Director
Melbourne, 22 August 2016

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Independent Auditor's Report to the Stapled Unitholders of Industria REIT

We have audited the accompanying financial report of Industria REIT, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 36 to 78.

Directors' Responsibility for the Financial Report

The directors of the trust are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Industria REIT, would be in the same terms if given to the directors as at the time of this auditor's report.

Liability limited by a scheme approved under Professional Standards Legislation.
 Member of Deloitte Touche Tohmatsu Limited



Opinion

In our opinion:

- (a) the financial report of Industria REIT is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
 Partner
 Chartered Accountants

Melbourne, 22 August 2016

SUMMARY OF SECURITY HOLDERS

Twenty largest holders of quoted equity securities as at 7 September 2016

Rank	Name	Number of securities	%
1	360 CAPITAL INVESTMENT MANAGEMENT LTD	18,050,761	14.67
2	APN PROPERTY GROUP LTD	17,068,109	13.87
3	NATIONAL NOMINEES LIMITED	14,632,791	11.89
4	J P MORGAN NOMINEES AUSTRALIA LIMITED	11,708,668	9.52
5	CITICORP NOMINEES PTY LIMITED	6,262,132	5.09
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,843,586	2.31
7	BNP PARIBAS NOMS PTY LTD	1,730,031	1.41
8	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	1,376,353	1.12
9	THE AUSTRALIAN NATIONAL UNIVERSITY	1,344,359	1.09
10	AUSTRALIAN EXECUTOR TRUSTEES LIMITED	1,038,747	0.84
11	DEVELCO INVESTMENTS PTY LTD	900,000	0.73
12	JOHN E GILL TRADING PTY LTD	611,560	0.50
13	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	534,424	0.43
14	CITICORP NOMINEES PTY LIMITED	450,172	0.37
15	SPARRO INVESTMENTS PTY LTD	350,000	0.28
16	ONE MANAGED INVESTMENT FUNDS LIMITED FOLKESTONE MAXIM A-REIT SECURITIES A/C	350,000	0.28
17	AUSTRALIAN CORPORATE HOLDINGS PTY LIMITED	300,000	0.24
18	MRS KELLYANNE DYER	250,000	0.20
19	BT PORTFOLIO SERVICES LIMITED	491,584	0.40
20	MS KIM NEO NG	225,000	0.18
Total		62,467,516	50.78

Distribution of holders of equity securities as at 7 September 2016

	Number of holders	Number of securities	%
100,001 and Over	51	84,790,549	68.92
10,001 to 100,000	1,249	30,880,275	25.10
5,001 to 10,000	644	5,229,694	4.25
1,001 to 5,000	557	2,019,916	1.64
1 to 1,000	287	98,757	0.08
Total	2,788	123,019,191	100.00
Unmarketable Parcels	133	732	0.00

SUMMARY OF SECURITY HOLDERS

Substantial Holder Notices

The table below gives details of the last notice for each substantial unitholder lodged with the Australian Securities Exchange to 7 September 2016:

Effective date	Name	Number of securities	%
22 November 2015	APN Property Group and Holus Nominees Pty Limited and their related entities	22,213,688	18.06
22 December 2015	360 Capital Investment Management Limited and TT Investments Pty Limited	17,148,498	13.94
3 December 2013	The Myer Family Company Holdings Pty Limited	7,373,754	5.90

On-market buy-back

IDR completed an on-market buy-back of 1,980,810 securities during the year. Details are outlined in the Directors' Report accompanying the 30 June 2016 financial statements.

CORPORATE DIRECTORY

Industria REIT

Industria Trust No. 1 ARSN 125 862 875
Industria Trust No. 2 ARSN 125 862 491
Industria Trust No. 3 ARSN 166 150 938
Industria Trust No. 4 ARSN 166 163 186
Industria Company No. 1 Ltd ACN 010 794 957

Responsible Entity

APN Funds Management Limited
ABN 60 080 674 479
AFS Licence No: 237500

Registered Office

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Directors of APN Funds Management Ltd

Geoff Brunsdon, Independent Non-Executive Chairman
Jennifer Horrigan, Independent Non-Executive Director
Michael Johnstone, Independent Non-Executive Director
Howard Brenchley, Non-Executive Director
Michael Groth, Executive Alternate Director for Howard Brenchley

Company Secretary

John Freemantle

Share Registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

T 1300 554 474 (local call cost)
F +61 2 9287 0303
E registrars@linkmarketservices.com.au

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Responsible Entity

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INDUSTRIAREIT