APPENDIX 4E

Industria Trust No. 1 (ARSN 125 862 875)
Full-Year Report
Full-year ended 30 June 2017

Note on Stapling Arrangements

Industria REIT is a stapled entity that comprises the following five entities:

- Industria Trust No. 1 (deemed parent);
- Industria Trust No. 2;
- Industria Trust No. 3;
- Industria Trust No. 4; and
- Industria Company No. 1 Ltd.

The following information is based on the consolidated financial statements of Industria Trust No. 1 (Industria REIT).

Results for announcement to the market

	Industria REIT	
	$'000	
Revenues from ordinary activities	up 27.73% to 48,483	
Profit from ordinary activities after tax attributable to members	up 225.14% to 101,643	
Net profit for the period attributable to members	up 225.14% to 101,643	
Funds from operations (FFO)[1]	up 29.63% to 27,869	
Net tangible assets per unit	**30 June 2017** $2.57	**30 June 2016** $2.12

[1] Funds from Operations (FFO) for the year has been calculated as follows:

	Industria REIT	
	Full-year 2017 $'000	Full-year 2016 $'000
Net profit attributable to security holders	101,643	31,261
Adjusted for:		
- Straight line lease revenue recognition	(3,221)	(1,050)
- Net (gain)/loss on change in fair value of:		
Investment properties	(75,194)	(12,029)
Derivatives	(2,229)	1,224
- Deferred tax provision	3,334	(234)
- Amortised borrowing costs	324	273
- Amortised leasing costs and rent free adjustments[1]	3,212	2,054
Funds from Operations	**27,869**	**21,499**

[1] Includes one-off lease incentive amortisation expense of $0.4 million arising from the early exercise of a tenant lease break option (NAB) and re-lease of this space to DHL at Rhodes Corporate Park Building C. This amount is one-off in nature, reducing comprehensive income and therefore increasing the amortised leasing incentives and costs adjustment when calculating FFO for the period.

Distributions	**Amount per unit (cents)**	**$'000**
Interim – 31 Dec 2016 (163,113,881 units on issue)	8.00	13,049
Final – 30 Jun 2017 (163,113,881 units on issue)	8.00	13,049
Total	**16.00**	**26,098**
Previous corresponding period	15.50	19,068
Record date for determining entitlements to the distribution	30 June 2017	
Details of any distribution reinvestment plan in operation	N/a	
Last date for receipt of an election notice for participation in any distribution reinvestment plan	N/a	

Note: Franked amount per unit is not applicable

Other information	30 June 2017	30 June 2016
Distribution declared ($'000)	26,098	19,068
DPS (cents per security)	16.00	15.50
FFO payout ratio	88.59%	88.72%

For further details, please refer to the following documents:

- Full-year Results Announcement (attached)
- Directors' Report and Financial Statements (attached)
- Investor presentation (separate ASX release)

CChurchill

Chantal Churchill
Company Secretary

23 August 2017

‘Industria REIT’ being

Industria Trust No. 1 and its Controlled Entities

ARSN 125 862 875

Financial Report for the Financial Year

Ended 30 June 2017

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.

Contents

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 2017. Industria Trust No.1 is one of five entities that together comprise the stapled ASX listed entity, Industria REIT ('Industria' or ' Industria REIT').

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

Principal activities
The Trust is a registered managed investment Fund 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 the 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 $101,643,000 for the financial year ended 30 June 2017 (30 June 2016: $31,261,000).

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

	2017 $'000	**2016 $'000**
Net rental income	38,038	29,115
Operating expenses	(3,747)	(2,880)
Net profit before interest, tax and other items	**34,291**	**26,235**
Net gain in fair value adjustments on investment properties	75,194	12,029
Fair value gain / (loss) on derivatives	2,229	(1,224)
Net interest expense	(6,737)	(6,013)
Net profit before tax	**104,977**	**31,027**
Income tax (expense) / benefit – deferred	(3,334)	234
Total comprehensive income for the financial year	**101,643**	**31,261**

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 on the next page.

Directors' Report (continued)

Review of operations (continued)

Funds from Operations

	2017 $'000	2016 $'000
Total Comprehensive income for the financial year	**101,643**	**31,261**
Adjusted for:		
Add back amortised borrowing costs	324	273
Add back amortised leasing costs and rent free adjustments[1]	3,212	2,054
Reverse straight lining of rent	(3,221)	(1,050)
Add back fair value (gain) / loss on derivatives	(2,229)	1,224
Reverse fair value gain on investment properties	(75,194)	(12,029)
Add back / (deduct) deferred tax charge / (credit)	3,334	(234)
FFO	**27,869**	**21,499**
Key financial performance metrics:		
FFO per security (cents)	18.06	17.47
Distributions per security (cents)	16.00	15.50
Payout Ratio (Distribution per security / FFO per security)	88.59%	88.72%
Statutory earnings per security (cents per security)	65.87	25.40
Weighted average securities on issue (thousands)	154,320	123,093
Securities on issue (thousands)	163,114	123,019
Distribution declared ($'000)	26,098	19,068

[1] Includes one-off lease incentive amortisation expense of $0.4 million arising from the early exercise of a tenant lease break option (NAB) and re-lease of this space to DHL at Rhodes Corporate Park Building C. This amount is one-off in nature, reducing comprehensive income and therefore increasing the amortised leasing incentives and costs adjustment when calculating FFO for the period.

The total comprehensive income for the financial year ended 30 June 2017 was $101,643,000, compared to $31,261,000 in the previous year, with the increase driven primarily by fair value gains on investment properties. FFO increased 3.38% from 17.47 cents per security in FY16 to 18.06 cents per security in FY17.

Net tangible assets and asset valuations

Total investment property assets increased to $638.0 million, an increase of $251.9 million. The increase in the investment property balance was driven by:

- Acquisition of WesTrac Newcastle in September 2016 for $158.6 million (excluding transaction costs);
- Revaluation gains for the period of $75.2 million; and
- Total capital expenditure of $0.7 million and capital incentives of $5.5 million. The majority of the capital incentives were attributable to fit out funding at Rhodes Building C, where leases to Frasers and DHL increased the weighted average lease expiry to 4.7 years and drove a $23.2 million increase in valuation over the prior book value.

The portfolio was independently revalued in its entirety as at 30 June 2017 to ensure the accounts reflected the appropriate assumptions and fair values as at that date. Significant valuation movements included:

- Industria's two assets at Rhodes Corporate Park – Buildings A and C – with asset management to reduce vacancy and de-risk the cash flow, combined with high demand for quality assets, increased the valuations by $43.4 million to $192.0 million;
- The value of WesTrac Newcastle increased by $25.4 million, reflecting the high levels of demand for properties of this quality and the high levels of discipline when acquiring the property in September 2016;
- Industria's industrial properties, excluding WesTrac Newcastle, increased in value by $6.6 million, largely on the back of higher market rents and tighter cap rates;
- The eleven buildings owned by Industria at Brisbane Technology Park (BTP) increased in value by $10.1 million. This was mostly attributable to leasing transactions being completed ahead of previous valuation assumptions and increasing levels of demand for investment opportunities for assets such as those owned by Industria at BTP.

Directors' Report (continued)

Net tangible assets and asset valuations (continued)
The increases outlined above highlight the value creation that has been achieved through actively managing the performance of the assets and improving the portfolio quality. Net tangible assets ("NTA") total $419,360,000 (2016: $261,157,000), equating to $2.57 per security as at 30 June 2017 (2016: $2.12).

Leasing
Leasing is always a key focus for the Board and management team as it underpins the occupancy of our properties and the ongoing ability to ultimately pay dividends. Financial Year 2017 was another active year of leasing, whereby over 24,000 square metres was completed with activity across all parts of the portfolio. Key highlights included:

- 80 – 90 South Park Drive, Dandenong South – 5-year renewal of Shriro over 10,000 square metres ahead of their March 2019 expiry. This expiry was the largest in the portfolio for FY19 and demonstrates our active approach to managing the assets;
- 5 Butler Boulevard – renewed and provided expansion space for Meile, who have increased their footprint to 3,700 square metres by expanding into an adjoining tenancy that became available upon a lease expiry. Unit A was also leased on a short term basis to the South Australian Ambulance Service. Unit E remains available for lease and management are in ongoing discussions with a potential operator for this unit.
- Rhodes Corporate Park – activity across both buildings, whereby we provided an expansion opportunity for DHL to grow from 1,600 square metres in Building A into the 1,800 square metres in Building C, backfilling the vacant 4th floor with limited downtime. The DHL tenancy in Building A was leased to Link Market Services, who will expand into that tenancy;
- At Brisbane Technology Park, we completed 4,500 square metres of leasing with deals ranging from 22 to 1,700 square metres. The activity demonstrates the benefits of having scale at Brisbane Technology Park, with Industria's broad offering having strong appeal to occupiers seeking a variety of office and small warehouse space.

Occupancy at period end was 94% and the weighted average lease expiry 7.6 years.

Acquisition of WesTrac Newcastle and equity raise
On 27 September 2016, Industria acquired WesTrac Newcastle for $158.6 million (excluding transaction costs). The property is 100% leased to WesTrac, a wholly owned subsidiary of Seven Group Holdings (ASX: SVW) and benefits from a triple-net lease for 18 years. WesTrac Newcastle was acquired on an initial yield of 7.25%, growing annually at the greater of 3% or CPI.

This acquisition received significant support from capital markets, with Industria successfully raising $50 million of new debt and $85.0 million of equity ($19.8 million placement and a $65.2 million non-renounceable entitlement offer of 1 new stapled security for every 4 existing stapled securities) at an issue price of $2.12. A total of 40,094,690 new stapled securities were issued.

Existing bank debt was in-part refinanced for 3 and 5 year terms, and a new bank debt facility for 5 years was also established to fund the acquisition. This financing arrangement improved the debt expiry profile by reducing near term refinancing and bullet repayment risks.

Disposals
The sales of 7 Brandl St and 85 Brandl St, Brisbane Technology Park, settled in financial year 2017. These investment properties were carried at their Net Realisable Values and disclosed as assets classified as held for sale in the Consolidated Statement of Financial Position for 30 June 2016.

Directors' Report (continued)

Market Overview

Brisbane Technology Park, Eight Mile Plains (Business and Technology Park)
New supply in the Brisbane suburban market is benign and the occupancy market appears to be benefiting from a broad-based improvement in the economy. Effective rents in the CBD and fringe markets have now eroded the financial differential to rents in locations such as Eight Mile Plains, however that overlooks the fact that many tenants are at Eight Mile Plains for business reasons: BTP is on two key arterial roads; it benefits from the TransLink bus depot nearby; and it has other benefits over the CBD and fringe, including far superior car parking ratios. Accordingly, the number of businesses moving into the CBD from Eight Mile Plains is limited.

There have been a number of strong sales in the suburban markets in the past 12 months that indicate continued investor demand for commercial real estate. Although demand is strongest for properties with limited income risks, investors are increasingly moving out the risk curve as they pursue higher returns on offer. Accordingly, valuers are observing investor total return hurdles reducing from 8% to 7%, and in the CBD in the 6% range.

Industria's properties at BTP are benefiting from this trend, and when combined with our active approach to drive tenant satisfaction and leasing progress, there was a $10 million uplift in valuations for the period.

Rhodes Corporate Park (Business Park)
According to Knight Frank, vacancy in Rhodes is limited to 1.9%, whilst Sydney Olympic Park has slightly higher vacancy of 2.9%. New supply in the areas is limited to two new buildings under construction totalling approximately 21,000 square metres that are partially pre-committed, offering limited relocation or expansion options for tenants in the market.

Capital flows for Sydney office property continues to be very strong, with $14.5 billion transacted in 2016 – almost double the pre-financial crisis level of $7.8 billion. Demand for suburban office has been increasing, reflecting a desire for geographical diversification and the relative yield spreads between CBD and non-CBD markets. This combined with increasing levels of confidence surrounding rental growth are driving yields down and values up. As a result, valuing assets has become increasingly challenging as sales are consistently reported ahead of prior book values – consistently setting new (higher) valuation benchmarks.

Industrial property
Prime industrial assets remain keenly sought-after with a wide variety of mandates totalling $18 billion of capital seeking opportunities. There is also a severe shortage of opportunities for investors to acquire assets and this was evidenced by $4 billion of bids for Coca Cola Amatil's property in Richlands (Queensland) that sold in late June 2017 at a 5.2% initial yield. This sale was a key consideration when reviewing the carrying value of WesTrac Newcastle, which has similar characteristics although WesTrac Newcastle is a more adaptable property.

Investment sales across the Melbourne industrial market had a slow start to the year, but in June there were six properties that traded for $164.4 million in total. As outlined above, there is a significant amount of capital seeking industrial investment opportunities, particularly in Sydney and Melbourne, where strong economies are being underpinned by population growth and increasing infrastructure investment.

Directors' Report (continued)

Industrial property (continued)

Industria owns five properties across Melbourne and the sales during the month of June indicated a yield range of 6 – 7%, compared to prior carrying values reflecting freehold yields of 6.75 – 7.25%. When reviewing the carrying values the Directors were particularly mindful of the transactional activity in June in addition to a number of unsolicited and incomplete offers to acquire components of Industria's portfolio ahead of carrying value.

Although the Adelaide industrial market has remained relatively subdued, Industria's asset at 5 Butler Boulevard has continued to perform well. This is due to the high-quality location and build quality of the property, which commands a premium against much of the market. Rents at Butler Boulevard have remained relatively flat against a softening rental market elsewhere, and tenant demand for the limited amounts of vacancy is steady.

Future Prospects

The global environment continues to be an uncertain place for companies to operate. Central Banks are seeking to stoke inflation to normalise interest rates with limited success, and the Federal Reserve is the only major Central Bank to have successfully raised rates in recent times. Political populism has created social instability, and aggressive posturing from countries such as North Korea provides an unstable backdrop for global peace.

In Australia, inflation remains stubbornly low with annual headline inflation reported of 1.9% to June 2017. This is below the Reserve Bank's medium term target of 2 – 3% despite economic indicators including job ads, job vacancies and hiring intentions all lifting. One of the key reasons for inflation weakness is that consumers lack confidence to spend willingly, and companies have limited pricing power. This is largely a consequence of low wage growth, which has been held back by spare capacity in the labour market following the end of the mining boom, higher levels of job insecurity, general levels of underemployment - particularly in the part time workforce - and greater competition due to globalisation and technology. The behaviour of companies reflects this low inflation environment and they continue to seek out affordable and well-located premises, such as those owned by Industria REIT.

Investors in the Australian economy are generally sceptical of interest rates rising any time soon, and have continued to bid on higher investments that offer income streams with limited risks. This has resulted in yields falling as real estate prices have increased, and it is challenging to see this dynamic changing anytime soon despite the Federal Reserve raising interest rates. However, this does not mean we are complacent about the positioning for Industria REIT: we remain focused on providing our tenants with affordable and well-located accommodation with high levels of customer service; we maintain a conservatively positioned balance sheet with gearing at 30.8%, the bottom of our 30 – 40% target gearing band; and are highly disciplined in pursuing acquisitions – as we were with the acquisition of WesTrac Newcastle during the period.

The objective for Industria REIT is to provide security holders with sustainable income and capital growth over time. We believe the vehicle is well positioned for the future and will continue to achieve this simple objective moving forwards.

Brisbane Technology Park (BTP) Co-operation Agreement

As outlined in the Product Disclosure Statement and Prospectus dated 28 October 2013, a Co-operation Agreement exists between Industria and Graystone Pty Ltd (Graystone). The term of the Co-operation Agreement is 5 years. 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 retained 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 was broadly in line with the disclosed fair value.

The options expired in December 2016 with Graystone not exercising any of their option rights.

Graystone has a continuing right to put development proposals and identify opportunities for Industria REIT over components (to be sub-divided) of 45 and 45B McKechnie Drive. Any proposal needs to be at arms-length on reasonable market terms, be consistent with the standard of the existing buildings and if applicable tenants at BTP, and be put forward acting in the best interests of Industria REIT.

Directors' Report (continued)

Distributions
Distributions of $26,098,000 were paid or declared by the Group during the financial year ended 30 June 2017 (2016: $19,068,000).

For full details of distributions paid and payable during the financial year refer to note 6 of the consolidated financial statements.

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 10.

Matters subsequent to the end of the financial year
In the period since the end of the financial year and up to the date of this report, no 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 Group during or since the end of the financial year; or
- granted to the Responsible Entity.

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

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

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. Under the contract of insurance, disclosure of the nature of the insured liabilities and the amount of premium paid is prohibited. 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 16 to the financial statements. The Responsible Entity and its associates' security holdings in the Group are disclosed in note 16 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 14 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 Brunsdon, a Director of the Responsible Entity of the Trust, holds 62,500 securities in Industria REIT as at 30 June 2017 (2016: 50,000 securities). No other director owns securities, or rights or options over securities, in the Group.

Directors' Report (continued)

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 Brunsdon
Director
Dated at Melbourne, 23 August 2017

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The Board of Directors
APN Funds Management Limited
101 Collins Street
MELBOURNE VIC 3000

23 August 2017

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 annual financial report for Industria REIT.

As lead audit partner for the audit of the financial statements of Industria REIT for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2017

	Notes	2017 $'000	2016 $'000
Revenue			
Rental income		48,483	37,956
Total revenue from continuing operations		**48,483**	**37,956**
Other income			
Other income		-	41
Interest income		56	27
Net gain on fair value adjustments on investment properties	9	75,194	12,029
Fair value gain on derivatives		2,229	-
Total other income		**77,479**	**12,097**
Total income		**125,962**	**50,053**
Expenses			
Property costs		(10,445)	(8,841)
Management fees	16	(2,875)	(2,318)
Interest expense	3	(6,793)	(6,040)
Fair value loss on derivatives		-	(1,224)
Other expenses		(872)	(603)
Total expenses		**(20,985)**	**(19,026)**
Net profit before tax		**104,977**	**31,027**
Income tax (expense) / benefit	4	(3,334)	234
Net profit after tax		**101,643**	**31,261**
Attributable to:			
Equity holders of Industria Trust No. 1		78,643	24,806
Equity holders of non-controlling interests[1]		23,000	6,455
		101,643	**31,261**
Other comprehensive income		-	-
Total comprehensive income for the financial year		**101,643**	**31,261**
Total comprehensive income is attributable to:			
Equity holders of Industria Trust No. 1		78,643	24,806
Equity holders of non-controlling interests[1]		23,000	6,455
		101,643	**31,261**
Earnings per security			
Basic and diluted (cents per security)	19	65.87	25.40

[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 2017

	Notes	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	17	435	1,607
Trade and other receivables	7	1,112	2,165
Other assets	8	389	355
Assets classified as held for sale	21	-	31,724
Total current assets		**1,936**	**35,851**
Non-current assets			
Investment properties	9	638,000	386,139
Total non-current assets		**638,000**	**386,139**
Total assets		**639,936**	**421,990**
Current liabilities			
Payables	10	(3,562)	(5,111)
Derivative financial instruments	12	(916)	(1,042)
Distributions payable	6	(13,049)	(9,842)
Liabilities directly associated with assets classified as held for sale	21	-	-
Total current liabilities		**(17,527)**	**(15,995)**
Non-current liabilities			
Payables	10	(257)	(240)
Derivative financial instruments	12	(1,163)	(3,266)
Borrowings	11	(196,332)	(139,263)
Deferred tax liability	4	(5,297)	(2,069)
Total non-current liabilities		**(203,049)**	**(144,838)**
Total liabilities		**(220,576)**	**(160,833)**
Net assets		**419,360**	**261,157**
Equity			
Equity holders of Industria Trust No. 1:			
Contributed equity	14	220,635	165,096
Retained earnings		75,565	10,922
		296,200	**176,018**
Equity holders of non-controlling interests[1]	15	123,160	85,139
Total equity		**419,360**	**261,157**
Net tangible assets (dollars per security)		2.57	2.12

[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 2017

	Contributed equity	(Accumulated losses) / retained earnings	Total	Non-controlling interests[1]	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 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**
Buy-back of contributed equity (Note 14)	(578)	-	(578)	(296)	(874)
Distributions paid or provided (Note 6)	-	(13,500)	(13,500)	(5,568)	(19,068)
Balance at 30 June 2016	**165,096**	**10,922**	**176,018**	**85,139**	**261,157**
Net profit for the financial year	-	78,643	78,643	23,000	101,643
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive income for the year	**-**	**78,643**	**78,643**	**23,000**	**101,643**
Issue of contributed equity (Note 14)	57,186	-	57,186	27,814	85,000
Capital raising costs (net of income tax benefit) (Note 14)	(1,647)	-	(1,647)	(695)	(2,342)
Distributions paid or provided (Note 6)	-	(14,000)	(14,000)	(12,098)	(26,098)
Balance at 30 June 2017	**220,635**	**75,565**	**296,200**	**123,160**	**419,360**

[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 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from customers		45,555	36,185
Payments to suppliers		(12,972)	(15,188)
Interest received		56	28
Income tax refunded		-	71
Finance costs paid		(6,622)	(5,997)
Net cash inflow from operating activities	17	**26,017**	**15,099**
Cash flows from investing activities			
Payments for acquisition of investment properties	9	(167,402)	-
Payments for capital expenditure on investment properties	9	(6,360)	(1,302)
Proceeds from sale of investment properties	9	30,015	1,168
Net cash outflow from investing activities		**(143,747)**	**(134)**
Cash flows from financing activities			
Net proceeds from borrowings		56,897	4,550
Net proceeds from equity issue	14	82,552	-
Payment for buy-back of equity	14	-	(874)
Distributions paid		(22,891)	(18,907)
Net cash inflow / (outflow) from financing activities		**116,558**	**(15,231)**
Net decrease in cash and cash equivalents		(1,172)	(266)
Cash and cash equivalents at the beginning of the financial year		1,607	1,873
Cash and cash equivalents at the end of the financial year	17	**435**	**1,607**

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

Notes to the Consolidated Financial Statements

1. Statement of compliance & basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and complies with other requirements of the law. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Trust and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing these consolidated financial statements, the Group is a for-profit entity.

The financial statements were authorised for issue by the Directors on 23 August 2017.

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.

The accounting policies set out below have been applied in preparing the financial statements for the financial year ended 30 June 2017 and the comparative information presented in these financial statements.

Adoption of new and revised accounting Standards and Interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. Except where noted, the adoption of these Standards and Interpretations has not had a material impact on the financial statements. These include:

- AASB 1057 Application of Australian Accounting Standards and AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs
- AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101
- AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception

AASB Accounting Standards not yet effective

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.

Notes to the Consolidated Financial Statements (continued)

AASB Accounting Standards not yet effective (continued)

Standard / Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 Financial Instruments	1 January 2018	30 June 2019
AASB 15 Revenue from Contracts with Customers, 2014-5 Amendments to Australian Accounting Standards arising from AASB 15, 2015-8 Amendments to Australian Accounting Standards – Effective date of AASB 15, 2016-3 Amendments to Australian Accounting Standards – Clarifications to AASB 15	1 January 2018	30 June 2019
AASB 16 Leases	1 January 2019	30 June 2020
AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112)	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
AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle	1 January 2017	30 June 2018

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

Standard / Interpretation	**Effective for annual reporting periods beginning on or after**
None noted	

Rounding of amounts
The Group 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.

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 2017:

(a) Revenue recognition
(i) 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.

(ii) 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.

Notes to the Consolidated Financial Statements (continued)

(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) Interest expense
Interest expense is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income using the effective interest rate method.

Interest expense 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.

(d) 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.

(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.

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.

(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.

Notes to the Consolidated Financial Statements (continued)

(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 taxes
Industria Company No.1 Limited
Income tax on the profit or loss for the financial year comprises current and deferred tax for Industria Company No.1 Limited. 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.

Industria Trusts
All Trusts that comprise Industria REIT are currently a “flow-through” entities for Australian income tax purposes (‘AMIT Trusts’) that have elected into the Attribution Managed Investment Trusts rules from the 2017 income year, such that the determined trust components of each AMIT Trust will be taxable in the hands of the beneficiaries (the securityholders) on an attribution basis.

Accordingly, deferred taxes associated with these AMIT Trusts have not been recognised in the financial statements in relation to differences between the carrying amounts of assets and liabilities and their respective tax bases, including taxes on capital gains/losses which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements.

Realised capital losses are not attributed to securityholders but instead are retained within the AMIT Trusts to be offset against realised capital gains. The benefit of any carried forward capital losses are also not recognised in the financial statements. If in any period realised capital gains exceed realised capital losses, including those carried forward from earlier periods and eligible for offset, the excess is included in taxable income attributed to securityholders as noted above.

(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.

Notes to the Consolidated Financial Statements (continued)

(j) Goods and services tax (continued)

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) 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.

(l) 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.

(m) Financial assets and liabilities

Current and non-current financial assets and liabilities within the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified at fair value through profit or loss; loans and receivables; held-to-maturity investments; or available-for-sale. The Group determines the classification of its financial assets and liabilities at initial recognition with the classification depending on the purpose for which the asset or liability was acquired or issued.

Financial assets and liabilities are initially recognised at fair value, plus directly attributable transaction costs unless their classification is at fair value through profit or loss. They are subsequently measured at fair value or amortised cost using the effective interest method. Changes in fair value of available-for-sale financial assets are recorded directly in equity. Changes in fair values of financial assets and liabilities classified as at fair value through profit or loss are recorded in the statement of profit or loss.

The fair values of financial instruments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on the reporting date. For those with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; a discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(i) Effective interest method

The effective interest 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 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 basis for debt instruments other than those financial assets classified as at fair value through the profit or loss.

(ii) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

Notes to the Consolidated Financial Statements (continued)

(n) Impairment of financial assets

Financial assets, other than those at fair value through the profit or loss, are assessed for indicators of impairment at each balance sheet 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.

The carrying amount of a financial asset is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in the profit or loss.

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 financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

(o) Derivative financial instruments

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

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.

(p) Issued securities

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

(q) 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.

(r) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Trust and entities (including structured entities) controlled by the Trust (its subsidiaries) (referred to as 'the Group' in these financial statements).

Notes to the Consolidated Financial Statements (continued)

(r) Basis of consolidation (continued)

Refer to note 13 for a list of controlled entities (subsidiaries) as at year-end. Control is achieved where the Group:

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Income and expenses of a subsidiary are included in the financial statements of the Group for the period it is consolidated. 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.

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

(s) 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 acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- 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.

Notes to the Consolidated Financial Statements (continued)

(s) Business combinations (continued)

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.

(t) Earnings per security

(i) Basic earnings per security

Basic earnings per security is calculated as net profit attributable to securityholders 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.

(u) 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 (continued)

2. Accounting estimates and Judgements

In the application of Australian Accounting Standards, management is required to make judgments, 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 judgments. 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.

Judgments made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next period are disclosed below and where applicable, in the relevant notes to the financial statements.

(a) Critical accounting estimates and assumptions

The Group had investment properties with a net carrying amount of $638,000,000 (2016: $386,139,000) (see note 9), 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, 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 effect 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 9 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.

3. Interest expense

	2017 $'000	2016 $'000
Interest expense paid / payable	6,469	5,767
Amortisation of borrowing costs	324	273
	6,793	**6,040**

Notes to the Consolidated Financial Statements (continued)

4. Income taxes

(a) Income tax expense / (benefit) recognised in the consolidated statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
The components of tax expense / (benefit) comprises:		
Deferred tax expense / (benefit) relating to the origination and reversal of temporary differences	3,336	(234)
Over provision from prior years	(2)	-
	3,334	**(234)**

(b) Reconciliation between tax expense and pre-tax net profit

	2017 $'000	2016 $'000
Profit from continuing operations	104,977	31,027
Less: Profit of the group relating to non-taxable Trust entities	(91,130)	(31,917)
Taxable profit / (loss) of the group	**13,847**	**(890)**
Prima facie tax payable @ 30% (2016: 30%)	4,154	(267)
Add / (subtract) the tax effect of:		
Changes in tax bases not affecting current tax expense	(818)	-
Effect of expenses that are not deductible in determining taxable profit	-	24
Others	-	9
Over provision from prior years	(2)	-
Income tax expense / (benefit)	**3,334**	**(234)**

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:	Opening balance $000	Recognised in profit or loss $000	Recognised in equity $000	Closing balance $000
Provisions and accruals	(330)	340	-	**10**
Allowance for doubtful debts	-	17	-	**17**
Capitalised acquisition costs	315	(180)	106	**241**
Investment properties	(3,040)	(2,983)	-	**(6,023)**
Fair value adjustments on derivatives	486	(380)	-	**106**
Tax losses carried forward	500	(148)	-	**352**
	(2,069)	**(3,334)**	**106**	**(5,297)**

5. Auditor's remuneration

	2017 $	2016 $
Audit of financial reports and other audit work	132,753	125,500
Compliance plan audit services	8,000	8,000
	140,753	**133,500**

The auditor of the Group is Deloitte Touche Tohmatsu.

Notes to the Consolidated Financial Statements (continued)

6. Distributions

	2017		2016	
	Cents per security	**$'000**	**Cents per security**	**$'000**
Distributions paid during the year	8.00	13,049	7.50	9,226
Distributions payable	8.00	13,049	8.00	9,842
	16.00	**26,098**	**15.50**	**19,068**

7. Trade and other receivables

	2017 $'000	2016 $'000
Current		
Rent debtors	1,182	2,165
Allowance for doubtful debts	(70)	-
	1,112	**2,165**

Trade and other receivable are non-interest bearing and are generally on 0-30 day terms. An allowance for a doubtful debt is recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2017, $70,000 of receivables were impaired (2016: Nil).

	2017 $'000	2016 $'000
Ageing analysis of receivables past due but not impaired		
0-30 days	1,057	1,931
31-90 days	12	234
91+ days	43	-
	1,112	**2,165**

8. Other assets

	2017 $'000	2016 $'000
Current		
Prepayments	389	354
Other	-	1
	389	**355**

9. Investment properties

	2017 $'000	2016 $'000
Industrial and office properties	634,788	383,051
Land held for future development	3,212	3,088
	638,000	**386,139**

Notes to the Consolidated Financial Statements (continued)

9. Investment properties (continued)

(a) Reconciliation of carrying amount

	2017 $'000	2016 $'000
Carrying amount at beginning of the financial year	386,139	399,883
Purchase of investment properties	167,402	-
Additions to existing investment properties	6,235	1,170
Disposal of investment properties	-	(1,163)
Movement in deferred lease incentives	(316)	2,137
Straight line revenue recognition	3,221	3,675
Net gain on fair value adjustments [1]	75,194	12,029
Interest capitalised	125	132
Property reclassified as held for sale (note 21)	-	(31,724)
Carrying amount at end of the financial year	**638,000**	**386,139**

[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 (continued)

9. Investment properties (continued)

(b) Industrial, office properties and land held for future development

			Fair value		Capitalisation rate		Discount rate	
		Latest valuation	**2017 $'000**	**2016 $'000**	**2017 %**	**2016 %**	**2017 %**	**2016 %**
34 Australis Drive, VIC	Industrial	Jun 2017	28,000	24,000	6.50%	7.00%	7.25%	8.25%
80-96 South Park Drive, VIC	Industrial	Jun 2017	22,000	20,200	7.00%	7.25%	7.25%	8.25%
89 West Park Drive, VIC	Industrial	Jun 2017	19,500	17,387	6.50%	7.00%	7.25%	8.25%
32-40 Garden Street, VIC	Industrial	Jun 2017	17,000	14,696	7.00%	7.25%	7.75%	8.75%
5 Butler Blvd, SA	Industrial	Jun 2017	12,200	12,500	8.84%	9.75%	9.25%	10.00%
140 Sharps Road, VIC	Office	Jun 2017	13,500	13,500	8.25%	8.25%	7.50%	9.00%
7 Clunies Ross and 17-19 McKechnie Drive, QLD	Office	Jun 2017	44,000	39,000	7.50%	8.00%	8.25%	8.75%
8 Clunies Ross and 9 McKechnie Drive, QLD	Office	Jun 2017	23,000	21,375	8.00%	8.25%	8.50%	8.50%
37 Brandl St, QLD	Office	Jun 2017	14,700	13,170	7.38%	8.75%	8.00%	8.75%
18 Brandl St, QLD	Office	Jun 2017	12,600	11,500	8.00%	8.50%	8.25%	8.75%
88 Brandl St, QLD	Office	Jun 2017	14,500	13,475	7.75%	8.50%	8.25%	8.25%
Building A, 1 Homebush Bay Drive, NSW	Office	Jun 2017	110,000	89,816	6.00%	7.00%	7.25%	8.00%
Building C, 1 Homebush Bay Drive, NSW	Office	Jun 2017	82,000	54,732	6.25%	7.25%	7.25%	8.00%
BTP Central, QLD	Office	Jun 2017	37,788	37,700	7.50%	8.05%	8.25%	10.75%
1-3 Westrac Drive, Tomago, NSW (b)(i)	Industrial	Jun 2017	184,000	-	6.25%	-	8.25%	-
45 and 45B McKechnie Drive, QLD (b)(ii)	Land	Jun 2017	3,212	3,088	-	-	-	-
Total consolidated entity			**638,000**	**386,139**				

Notes to the Consolidated Financial Statements (continued)

9. Investment properties (continued)

(b) Industrial, office properties and land held for future development (continued)

At 30 June 2017 included within the investment property fair value is a deduction of $2,059,000 representing lease incentive commitments the Group will need to pay under the lease contracts (2016: $6,146,000).

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

(i) Acquisition of 1-3 Westrac Drive, Tomago
On 27 September 2016, the Group acquired 1-3 Westrac Drive, Tomago, NSW for $158,600,000 (excluding transaction costs). This acquisition was funded through an equity raise ($85,000,000) and increased and extended borrowing facilities.

(ii) BTP Co-operation Agreement
As outlined in the Product Disclosure Statement and Prospectus dated 28 October 2013, a Co-operation Agreement exists between Industria and Graystone Pty Ltd (Graystone). The term of the Co-operation Agreement is 5 years. 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 retained 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 was broadly in line with the disclosed fair value. The options expired in December 2016 with Graystone not exercising any of their option rights.

Graystone has a continuing right to put development proposals and identify opportunities for Industria REIT over components (to be sub-divided) of 45 and 45B McKechnie Drive. Any proposal needs to be at arms-length on reasonable market terms, be consistent with the standard of the existing buildings and, if applicable, tenants at BTP, and be put forward acting in the best interests of Industria REIT.

(c) Fair value measurement, valuation techniques and inputs

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 2017 $'000	Valuation Technique	Inputs used to measure fair value	Range of unobservable inputs
Level 3	634,788	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	$20 - $770 $20 - $650 0% - 4% 6.00% - 8.84% 6.50% - 9.75% 7.25% - 9.25%
Level 3	3,212	Direct comparison method	Sales price per sqm	$500

The adopted valuation for investment properties, including property under development which is substantially complete and has pre-committed leases, 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 (continued)

9. Investment properties (continued)

(c) 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 (continued)

9. Investment properties (continued)

(d) 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 2001 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.

(e) Sensitivity information

Significant input	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 (continued)

9. Investment properties (continued)

(f) 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:

	2017 $'000	2016 $'000
Within one year	35,931	27,139
More than one year but not more than five years	126,164	122,516
More than five years	223,938	38,810
	386,033	**188,465**

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

	2017 $'000	2016 $'000
Rental income	48,483	37,956
Direct operating expenses	(10,445)	(8,841)
Net gain on fair value adjustments	75,194	12,029
	113,232	**41,144**

10. Trade and other payables

	2017 $'000	2016 $'000
Current		
Trade payables (i)	197	108
Accruals and other creditors	3,180	3,840
Rental bond received from tenants	151	886
GST payable	34	277
	3,562	**5,111**
Non-current		
Rental bond received from tenants	257	240
	257	**240**

(i) The average credit period on purchases is 30 days. No interest is charged on trade payables. No trade payables are in excess of 60 days.

Notes to the Consolidated Financial Statements (continued)

11. Borrowings

	2017 $'000	2016 $'000
Non-current		
Bank loans – secured	197,007	140,110
Less: Unamortised establishment costs	(675)	(847)
	196,332	**139,263**
The Group has access to the following lines of credit:		
Loan facility limit	215,000	165,000
Facilities drawn at balance date	197,007	140,110
Facilities not drawn at balance date	**17,993**	**24,890**

Summary of borrowing arrangements
The Group has a revolving cash advance facility with two major Australian banks with facility expiries of: December 2018; September 2019; December 2020; and September 2021.

The Group's debt facility is secured by first ranking mortgages over all the investment properties held by the Group. At 30 June 2017, the carrying amount of the investment properties pledged as collateral was $638,000,000 (2016: $417,863,000). During the year ended 30 June 2017, the facility limit was increased from $165,000,000 to $215,000,000 to facilitate the acquisition of 1-3 Westrac Drive, Tomago, NSW.

The Group has a number of interest rate contracts exchanging variable rate interest for fixed rate interest or that cap the variable interest rate payable. The movement in the fair value of the interest rate contracts has been recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the current period 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.

12. 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.

Notes to the Consolidated Financial Statements (continued)

12. Financial instruments (continued)

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.

(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 securityholders 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 2017 Industria REIT's Gearing Ratio was 30.8% (2016: 33.1%). The gearing ratio is calculated as follows:

Notes to the Consolidated Financial Statements (continued)

12. Financial instruments (continued)

(c) Capital risk management (continued)

	Notes	2017 $'000	2016 $'000
Total interest bearing debt	11	197,007	140,110
Less: cash and cash equivalents	17	(435)	(1,607)
Net debt		**196,572**	**138,503**
Value of property portfolio[1]	9, 21	638,000	417,863
Gearing ratio		**30.8%**	**33.1%**

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

(d) Categories of financial instruments

	2017 $'000	2016 $'000
Financial assets		
Loans and receivables	1,501	2,520
Financial liabilities		
Financial liabilities measured at amortised cost	(213,200)	(154,456)
Financial liabilities designated as at fair value through profit or loss	(2,079)	(4,308)

The carrying amount of interest-bearing liabilities in the Group as at 30 June 2017 is $196,332,000 (2016: $139,263,000).

(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 2017 and at 30 June 2016 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.

Notes to the Consolidated Financial Statements (continued)

12. Financial instruments (continued)

(e) Credit risk (continued)

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. To assist in mitigating refinancing risk, the Responsible Entity is in regular contact with the financial institutions and, as an ASX listed entity, has the ability to raise equity from the capital markets if required.

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 securityholders:

	Within 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amounts $'000
Consolidated 2017					
Liabilities					
Lease incentives payable	922	611	526	2,059	2,059
Payables – current	3,562	-	-	3,562	3,562
Payables – non-current	-	68	189	257	257
Distribution payable	13,049	-	-	13,049	13,049
Interest-bearing liabilities	6,571	52,884	164,572	224,027	196,332
Interest rate contracts	915	820	344	2,079	2,079
	25,019	**54,383**	**165,631**	**245,033**	**217,338**

Notes to the Consolidated Financial Statements (continued)

12. Financial instruments (continued)

(f) Liquidity risk (continued)

	Within 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amounts $'000
Consolidated 2016					
Liabilities					
Lease incentives	6,146	-	-	6,146	6,146
Payables – current	5,111	-	-	5,111	5,111
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 contracts	1,042	1,278	1,988	4,308	4,308
	26,950	**6,162**	**148,820**	**181,932**	**164,910**

(g) Derivatives – interest rate contracts

The Group has a debt facility subject to floating interest rates. A series of interest rate contracts have been entered into thereby limiting some or all of the interest rate exposure on the debt.

Generally the interest rate contracts settle on a monthly basis. The floating rate incurred on the debt is Australian BBSY. The difference between the fixed and floating interest rate is settled on a net basis by the relevant counterparty. The interest rate contracts have not been identified as hedging instruments and any movements in the fair value are recognised immediately in profit or loss.

	2017 $'000	2016 $'000
Current liabilities		
Interest rate contracts	916	1,042
Non-current liabilities		
Interest rate contracts	1,163	3,266

During the year, the Group recognised a fair value gain of $2,229,000 (2016: loss of $1,224,000) on interest rate contracts.

(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.

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.

Notes to the Consolidated Financial Statements (continued)

12. Financial instruments (continued)

(h) Market risk (continued)

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

Assets: Cash and cash equivalents at fair values of $435,000 (2016: $1,607,000) with a weighted average interest rate of 1.50% (2016: 1.96%).

Liabilities: Interest-bearing liabilities at amortised cost of $196,332,000 (2016: $139,263,000) with a weighted average interest rate (BBSY and Margin) of 2.82% (2016: 3.17%).

Interest rate swaps with a notional amount of $90,000,000 (2016: $90,000,000) and a fair value liability of $2,079,000 (2016: liability of $4,308,000) with a weighted average fixed interest rate of 2.87% (2016: 3.04%).

Interest rate caps with a notional amount of $15,000,000 (2016: Nil) and a fair value of Nil (2016: Nil) with a weighted average cap rate of 2.05% (2016: N/A).

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.

	Net Profit	
	100bp increase $'000	**100bp decrease $'000**
30 June 2017		
Variable rate instruments	(889)	889
Derivative financial instruments	2,561	(2,557)
	1,672	**(1,668)**
30 June 2016		
Variable rate instruments	(414)	414
Derivative financial instruments	3,395	(3,384)
	2,981	**(2,970)**

(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 approximates their fair values.

Notes to the Consolidated Financial Statements (continued)

12. Financial instruments (continued)

(i) Fair value of financial instruments (continued)

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2017, 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 2017			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate contracts	-	(2,079)	-	(2,079)
Total	**-**	**(2,079)**	**-**	**(2,079)**

	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 contracts	-	(4,308)	-	(4,308)
Total	**-**	**4,308)**	**-**	**(4,308)**

There were no transfers between Levels during the financial year.

The interest rate contracts have been valued using the 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 (continued)

13. Controlled entities

Parent entity	Country of incorporation	Percentage owned (%) 2017	2016
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
Tomago Investment Trust	Australia	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 Limited	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.

Details of the 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 2017 %	2016 %	Profit/(loss) allocated to non-controlling interests 2017 $'000	2016 $'000	Accumulated non-controlling interests 2017 $'000	2016 $'000
Industria Trust No.2	Australia	-	-	8,352	4,451	29,775	19,242
Industria Trust No.3	Australia	-	-	1,713	4,647	19,067	18,915
Industria Trust No.4	Australia	-	-	2,391	(1,563)	14,009	9,578
Industria Company No. 1 Ltd	Australia	-	-	10,544	(1,080)	60,309	37,404
				23,000	**6,455**	**123,160**	**85,139**

Notes to the Consolidated Financial Statements (continued)

14. Contributed equity

(a) Carrying amount

	2017 $'000	2016 $'000
At the beginning of the financial year	220,818	221,692
Buy-back of contributed equity	-	(874)
Issue of contributed equity	85,000	-
Equity issuance costs (net of income tax benefit)	(2,342)	-
At the end of the financial year	**303,476**	**220,818**
Attributable to:		
Equity holders of Industria Trust No.1	220,635	165,096
Equity holders of non-controlling interests	82,841	55,722
	303,476	**220,818**

(b) Number of securities on issue

	2017	2016
At the beginning of the financial year	123,019,191	123,488,399
Buy-back of contributed equity	-	(469,208)
Issue of contributed equity	40,094,690	-
At the end of the financial year	**163,113,881**	**123,019,191**

15. Non-controlling interests

	2017 $'000	2016 $'000
Interest in contributed equity	82,841	55,722
Interest in retained earnings	40,319	29,417
	123,160	**85,139**

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

16. 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 such 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.

Notes to the Consolidated Financial Statements (continued)

16. Related parties (continued)

(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, $2,875,000 (2016: $2,318,000) has been incurred in management fees payable to APN FM.

At the reporting date, $779,000 (2016: $583,000) 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 and leasing fees at market rates.

During the year, APN FM provided leasing services to the Group and consequently charged leasing fees totalling $187,000 (2016: $71,000).

(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:

	2017		**2016**	
	Number of securities	**Distributions $**	**Number of securities**	**Distributions $**
APN Property Group Limited	**23,115,140**	**3,427,749**	17,068,109	2,601,738
APN Funds Management Limited	**3,500,000**	**560,000**	-	-
APN AREIT Fund	**6,499,094**	**1,039,855**	4,900,766	759,619
APN CFS AREIT Fund	**577,409**	**70,602**	204,713	16,377
APN Property for Income Fund	**1,052,338**	**168,374**	795,000	123,225
APN Property for Income Fund 2	**396,605**	**63,457**	300,000	46,500
Geoff Brunsdon	**62,500**	**10,000**	50,000	7,751
Total	**35,203,086**	**5,340,037**	23,318,588	3,555,210

21.5% (2016: 18.9%) of Industria REIT stapled securities are held by related APN entities.

Notes to the Consolidated Financial Statements (continued)

17. 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:

	2017 $'000	2016 $'000
Cash and cash equivalents	**435**	**1,607**
Reconciliation of profit after income tax to net cash inflow from operating activities		
Net profit for the financial year	101,643	31,261
Non-cash items:		
Straight line lease revenue recognition	(3,221)	(1,050)
Amortisation of borrowing costs	324	273
Movement in deferred lease incentives	316	(2,140)
Allowance for doubtful debts	70	337
Fair value (gain) / loss on derivatives	(2,229)	1,224
Net gain in fair value adjustments on investment properties	(75,194)	(12,029)
	21,709	**17,876**
Changes in assets/liabilities:		
Decrease / (increase) in trade and other receivables	409	(820)
Increase / (decrease) in payables	565	(1,723)
Increase / (decrease) in deferred tax	3,334	(234)
Net cash inflows from operating activities	**26,017**	**15,099**

18. Parent entity financial information

Summary financial information

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

	2017 $'000	2016 $'000
Statement of financial position		
Current assets	2,370	5,035
Non-current assets	452,566	217,738
Total assets	**454,936**	**222,773**
Current liabilities	(157,809)	(9,510)
Non-current liabilities	(927)	(37,245)
Total liabilities	**(158,736)**	**(46,755)**
Net assets	**296,200**	**176,018**
Equity		
Issued capital	220,635	165,096
Retained earnings	75,565	10,922
Total Equity	**296,200**	**176,018**

Notes to the Consolidated Financial Statements (continued)

18. Parent entity financial information (continued)

Summary financial information (continued)

	2017 $'000	2016 $'000
Profit for the financial year	78,643	24,806
Other comprehensive income	-	-
Total comprehensive income	**78,643**	**24,806**

At 30 June 2017, the parent entity had not provided guarantees (2016: Nil), has no contingent liabilities (2016: Nil) and no contractual commitments (2016: Nil).

19. Earnings per security

	2017	2016
Profit attributable to securityholders ($'000)	101,643	31,261
Weighted average number of securities outstanding (thousands)	154,320	123,093
Basic and diluted earnings (cents per security)	**65.87**	**25.40**

20. 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.

21. Assets classified as held for sale

	2017 $000	2016 $000
Investment property held for sale	-	31,724
Liabilities directly associated with assets classified as held for sale	-	-

In the previous financial year, the Group entered into unconditional contracts to sell 7 Brandl St, Qld and 85 Brandl St, Qld. Settlement occurred during the current year.

22. Commitment and Contingencies

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 and a leasing fee at market rates.

Prior to 1 January 2016, APN FM was entitled to fees of $517,000 (2016: $517,000) 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.

Included as a deduction from the fair value of Investment Property (refer note 9) are commitments relating to lease incentives totalling $2,059,000 (2016: $6,146,000).

Notes to the Consolidated Financial Statements (continued)

22. Commitment and Contingencies (continued)

During the current year, the Group entered into an agreement to install one megawatt of solar PV across six buildings at Brisbane Technology Park (BTP). Capital expenditure is forecast to be $1,600,000, of which $1,600,000 remained outstanding as at 30 June 2017 (2016: nil).

The Group has no contingent assets as at 30 June 2017 (2016: Nil).

23. Events occurring after the reporting period

There have been no significant events or transactions that have arisen since 30 June 2017 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.

24. 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 and principal place of business
Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Directors' Declaration

For the year ended 30 June 2017

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 Group; 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, 23 August 2017

Deloitte.

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Independent Auditor's Report to the Stapled Security Holders of Industria REIT

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Industria REIT (the "Trust") and its controlled entities (collectively, the "Group") which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of APN Funds Management Limited (the "Responsible Entity"), would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Valuation of investment properties held at fair value As at 30 June 2017 the Group's investment properties represent the largest category of assets with a carrying value of $638m, including a $75.2m revaluation gain recognised in the consolidated statement of profit or loss as disclosed in Note 9. The investment properties are measured under the fair value model. The determination of fair value requires significant judgement due to the degree of subjectivity used by management, together with their internal and external valuation specialists (the "valuers"), in estimating the inputs used in the determination of the fair value of the investment properties including; net market rentals, 10 year average market rental growth rates, capitalisation rates, terminal yields and discount rates.	In conjunction with our valuation specialists, our procedures included, but were not limited to: - evaluating the independence, competence and objectivity of the valuers; - assessing the scope of the valuers' work; - assessing the currency of the valuation date; - challenging the appropriateness of the valuation techniques and the inputs used by the valuers, including; the net market rentals, capitalisation rates, actual tenancy schedules and assessing overall values selected with reference to industry practice and external industry economic data; - testing on a sample basis, the passing rental balances by agreeing them back to signed lease agreements; and - recalculating the mathematical accuracy of the valuation models. We have also assessed the appropriateness of the related disclosures in Note 9 to the financial statements.

Other Information

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report. The other information also includes the other documents which will be included in the Annual Report (but does not include the financial report and our audit report thereon), which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information in the Annual Report which we have not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

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Responsibilities of the Directors for the Financial Report

The directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 23 August 2017