APPENDIX 4D

Industria Trust No. 1 (ARSN 125 862 875)
Half-Year Report
Half-year ended 31 December 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 13.2% to 25,431	
Profit from ordinary activities after tax attributable to members	up 66.0% to 13,788	
Net profit for the period attributable to members	up 66.0% to 13,788	
Funds from operations (FFO)[1]	up 4.0% to 14,780	
Net tangible assets per Security	**31 Dec 2017** $2.57	**30 Jun 2017** $2.57

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

	Industria REIT	
	1H2018 $'000	**1H2017 $'000**
Net profit attributable to security holders	13,788	8,304
Adjusted for:		
- Straight line lease revenue recognition	(2,027)	(574)
- Net loss/(profit) on change in fair value of:		
Investment properties	1,357	5,800
Derivatives	(340)	(1,929)
- Deferred tax provision	309	870
- Amortisation of borrowing costs	168	159
- Amortisation of leasing costs and rent free adjustments	1,525	1,584
Funds from Operations	**14,780**	**14,214**

Distributions	**Amount per Security (cents)**	**$'000**
1st Quarter – 30 September 2017	4.10	6,688
2nd Quarter – 31 December 2017	4.10	6,676
	8.20	**13,364**
Previous corresponding period	8.00	13,049
Record date for determining entitlements to the distribution	29 December 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	1H2018	1H2017
Distributions declared $'000	13,364	13,049
DPS	8.20 cents per security	8.00 cents per security
FFO payout ratio	90.40%	91.80%

For further details, please refer to the following documents:

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

Churchill

Chantal Churchill
Company Secretary

19 February 2018

‘Industria REIT’ being

Industria Trust No. 1 and its Controlled Entities

ARSN 125 862 875

Financial Report for the Half-Year

Ended 31 December 2017

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 half-year ended 31 December 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Information about the Directors

The names of the Directors of the Responsible Entity during the period and up to the date of this report:

Directors of APN Funds Management Limited

Geoff Brunsdon (Chairman and Independent Director)
Howard Brenchley (Non-Executive Director)
Jennifer Horrigan (Independent Director)
Michael Johnstone (Independent Director)
Michael Groth (Chief Financial Officer and alternate Director for Howard Brenchley)

Review of operations

The results of the operations of the Group are disclosed in the condensed consolidated statement of profit or loss and other comprehensive income of these financial statements. The Group's total comprehensive income was $13,788,000 for the half-year ended 31 December 2017 (31 December 2016: $8,304,000) and are summarised below:

	1H18 $'000	**1H17 $'000**
Net rental income	20,735	17,780
Other income	1	-
Operating expenses	(2,134)	(1,682)
Net profit before interest, tax and other items	**18,602**	**16,098**
Net loss in fair value adjustments on investment properties	(1,357)	(5,800)
Fair value gain on derivatives	340	1,929
Net interest expense	(3,488)	(3,053)
Net profit before tax	**14,097**	**9,174**
Income tax expense – deferred	(309)	(870)
Comprehensive income	**13,788**	**8,304**

Directors’ Report (continued)

Review of operations (Continued)

The Responsible Entity uses the Group’s ‘Funds From Operations’ (FFO) as an additional performance indicator. FFO does not take into account certain items recognised in the condensed consolidated statement of profit or loss and other comprehensive income including unrealised gains or losses on the revaluation of the Group’s investment properties and derivatives.

FFO for the half year ended 31 December 2017 has been calculated as follows:

	1H18 $’000	**1H17 $’000**
Comprehensive income	**13,788**	**8,304**
Adjusted for:		
Add back amortisation of borrowing costs	168	159
Add back amortisation of leasing incentives and costs	1,525	1,584
Reverse straight lining of rent	(2,027)	(574)
Deduct fair value gain on derivatives	(340)	(1,929)
Add back fair value loss on investment properties	1,357	5,800
Add back deferred tax expense	309	870
FFO	**14,780**	**14,214**
FFO (cents per security)	9.1	9.8
Distribution per security (cents per security)	8.2	8.0
Payout ratio (Distribution declared / FFO)	90.4%	91.8%
Statutory earnings per security (cents per security)	8.5	5.7
Weighted average securities on issue (millions)	163.0	145.7
Securities on issue (millions)	162.8	163.1
Distribution declared ($’000)	13,364	13,049

The comprehensive income for the six-month period ended 31 December 2017 was $13.8 million, an increase of $5.5 million on the prior corresponding period. The increase in comprehensive income can be largely attributable to: higher revenue from WesTrac Newcastle; fixed rental uplifts across the majority of the portfolio; and lower acquisition expenses including stamp duty, which were escalated in the prior period.

The higher number of securities on issue for the full period diluted FFO per security, with 9.1 cents reported – 7% lower than 1H17. This was also impacted by timing differences, with a positive profit skew in the first half of FY17 increasing the proportionate result in that period, whereas in FY18 this is expected to be in the second half of the financial year.

On Market Securities Buy-Back

On 23 August 2017, Industria REIT announced an on market buy-back of up to 8,155,694 stapled securities, equating to approximately 5% of the total number of securities in issue. The buy-back was approved to take place during the 12 month period from 7 September 2017 to 6 September 2018, and commenced on 27 September 2017.

During the period Industria REIT acquired 274,138 securities at an average price of $2.48 per security.

Directors' Report (continued)

Net tangible assets and asset valuations

The property portfolio was reviewed by the Directors as at 31 December 2017 using key metrics, including cap rates and discount rates applied by independent valuers as at 30 June 2017, and recent market transactional evidence to ensure that investment property is carried at fair value. There were no revaluation adjustments booked in the accounts and Net Tangible Assets remained steady at $2.57 per security.

Leasing

Over recent periods management have been highly focused on tenant engagement and service across the Industria REIT portfolio. The objective of this has been to ensure we are listening to our clients and the market to create a point of difference that drives outperformance over the long term. The leasing outcomes during this period, in particular at Brisbane Technology Park (BTP), provide evidence that this focus is now translating into tangible results for shareholders.

Over 5,700 square metres of leasing was completed at BTP, underpinned by 16 deals and a tenant retention rate of 82%. A further 1,600 square metres was completed at Rhodes, and 3,040 square metres was leased at Butler Boulevard at Adelaide Airport.

This leasing progress has resulted in the remaining lease expiries for FY18 and FY19 reducing from 10% to 5%, providing greater clarity of future income that underpins the distribution.

The continued leasing progress ensured occupancy remained high at 95%, and the weighted average lease expiry remained strong at 7.3 years.

Market Overview

<u>Brisbane Suburban Office Market</u>

Tenant demand across the market has been mixed, with the near CBD fringe being impacted by medium-to-large sized tenant consolidation back into the CBD; whereas the outer suburban markets have remained relatively steady – with limited new supply, and demand from growing businesses servicing government projects taking up expansion space. This has been a particular highlight for BTP as the precinct builds on its reputation as a key knowledge hub for technology, health, and infrastructure services.

<u>Sydney Suburban Office Market</u>

The strength in Sydney office markets continues, as businesses expand to meet the needs of the growing population base and economy, and the office market supply has shrunk (in particular in the CBD). As anticipated and outlined in our report 12 months ago, this dynamic has had positive implications for Industria's assets at Rhodes where occupancy has increased to 98%, with outcomes ahead of the most recent valuation assumptions.

<u>Melbourne Industrial Market</u>

Urbis assessed vacancy across the Melbourne market as 3% in November 2017. This survey, completed on warehouses over 10,000 square metres, has reported vacancy down 0.9% in twelve months as speculatively developed buildings were taken up, and new supply was limited.

As vacancy has decreased and the availability of land has reduced (particularly in the states significant precincts in the west and south-east), we anticipate rents will increase in the short to medium term. Despite the anticipated growth, Melbourne will continue to be the most affordable major industrial and logistics market in the country – and when this is combined with the country's strongest population growth and largest port, it becomes clear why Melbourne is a desirable destination for large pools of global and domestic capital seeking to invest.

Directors' Report (continued)

Auditor's Independence Declaration

The auditor's independence declaration is set out on page 7.

Matters subsequent to the end of the financial period

No other matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Rounding off of amounts

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2017/191, 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 made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the Directors

Geoff Brunsdon
Director

Dated at Melbourne, 19 February 2018

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

19 February 2018

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

Dear Board Members

Independence Declaration – Industria REIT

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

As lead audit partner for the review of the financial statements of Industria REIT for the financial half-year ended 31 December 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 review; and

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2017

	Notes	Half-year ended 31 Dec 2017 $'000	Half-year ended 31 Dec 2016 $'000
Revenue			
Rental income		25,431	22,468
Total revenue from continuing operations		**25,431**	**22,468**
Other income			
Interest income		18	36
Other income		1	-
Fair value gain on derivatives		340	1,929
		359	**1,965**
Total income		**25,790**	**24,433**
Expenses			
Property costs		(4,696)	(4,688)
Trust management fees	7	(1,780)	(1,339)
Interest expense		(3,506)	(3,089)
Net loss in fair value adjustments on investment properties	3	(1,357)	(5,800)
Other expenses		(354)	(343)
Total expenses		**(11,693)**	**(15,259)**
Net profit before tax		**14,097**	**9,174**
Income tax expense – deferred		(309)	(870)
Net profit after tax		**13,788**	**8,304**
Attributable to:			
Equity holders of Industria Trust No. 1		10,044	2,586
Equity holders of non-controlling interests[1]		3,744	5,718
		13,788	**8,304**
Other comprehensive income		-	-
Total comprehensive income for the financial period		**13,788**	**8,304**
Total comprehensive income is attributable to:			
Equity holders of Industria Trust No. 1		10,044	2,586
Equity holders of non-controlling interests[1]		3,744	5,718
		13,788	**8,304**
Earnings per security			
Basic and diluted (cents per security)	8	8.46	5.70

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

Condensed consolidated statement of financial position
As at 31 December 2017

	Notes	31 Dec 2017 $'000	30 Jun 2017 $'000
Current assets			
Cash and cash equivalents		2,483	435
Trade and other receivables		2,681	1,112
Other assets		428	389
Total current assets		**5,592**	**1,936**
Non-current assets			
Investment properties	3	639,960	638,000
Total non-current assets		**639,960**	**638,000**
Total assets		**645,552**	**639,936**
Current liabilities			
Payables		(3,814)	(3,562)
Derivative financial instruments	6	(940)	(916)
Distributions payable	2	(6,676)	(13,049)
Borrowings	4	(46,250)	-
Total current liabilities		**(57,680)**	**(17,527)**
Non-current liabilities			
Payables		(326)	(257)
Derivative financial instruments	6	(800)	(1,163)
Borrowings	4	(162,037)	(196,332)
Deferred tax liability		(5,606)	(5,297)
Total non-current liabilities		**(168,769)**	**(203,049)**
Total liabilities		**(226,449)**	**(220,576)**
Net assets		**419,103**	**419,360**
Equity			
Equity holders of Industria Trust No. 1:			
Contributed equity	5	220,154	220,635
Retained earnings		78,609	75,565
		298,763	**296,200**
Equity holders of non-controlling interests[1]		120,340	123,160
Total equity		**419,103**	**419,360**
Net tangible assets per security		**2.57**	**2.57**

[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 condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2017

	Contributed equity $'000	Retained earnings $'000	Total $'000	Non-controlling interests[1] $'000	Total equity $'000
Balance at 1 July 2016	**165,096**	**10,922**	**176,018**	**85,139**	**261,157**
Net profit for the period	-	2,586	2,586	5,718	8,304
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**2,586**	**2,586**	**5,718**	**8,304**
Transactions with securityholders in their capacity as owners					
Issue of contributed equity (note 5)	57,186	-	57,186	27,814	85,000
Capital raising costs (net of income tax benefit) (note 5)	(1,647)	-	(1,647)	(695)	(2,342)
Distributions paid or provided (note 2)	-	(6,000)	(6,000)	(7,049)	(13,049)
Balance at 31 December 2016	**220,635**	**7,508**	**228,143**	**110,927**	**339,070**
Balance as at 1 July 2017	**220,635**	**75,565**	**296,200**	**123,160**	**419,360**
Net profit for the period	-	10,044	10,044	3,744	13,788
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive income for the period	**-**	**10,044**	**10,044**	**3,744**	**13,788**
Transactions with securityholders in their capacity as owners					
Buy-back of contributed equity (note 5)	(481)	-	(481)	(200)	(681)
Distributions paid or provided (note 2)	-	(7,000)	(7,000)	(6,364)	(13,364)
Balance at 31 December 2017	**220,154**	**78,609**	**298,763**	**120,340**	**419,103**

[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 condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Condensed consolidated statement of cash flows
For the half-year ended 31 December 2017

		Half-year ended	
	Notes	31 Dec 2017 $'000	31 Dec 2016 $'000
Cash flows from operating activities			
Receipts from customers		21,878	21,872
Payments to suppliers		(5,780)	(7,815)
Interest received		18	36
Finance costs paid		(3,338)	(3,148)
Net cashflow from operating activities		**12,778**	**10,945**
Cash flows from investing activities			
Payments for acquisition of investment properties		-	(167,392)
Payments for capital expenditure on investment properties		(2,099)	(3,766)
Net proceeds from sale of investment property		-	30,916
Net cashflow from investing activities		**(2,099)**	**(140,242)**
Cash flows from financing activities			
Net proceeds from borrowings		11,787	57,798
Payment for buy-back of equity	5	(681)	-
Net proceeds of equity issue	5	-	82,552
Distributions paid		(19,737)	(9,842)
Net cashflow from financing activities		**(8,631)**	**130,508**
Net increase in cash and cash equivalents		2,048	1,211
Cash and cash equivalents at the beginning of the period		435	1,607
Cash and cash equivalents at the end of the period		**2,483**	**2,818**

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

Notes to the Condensed Consolidated Financial Statements

1. Summary of significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed 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. All amounts are presented in Australian dollars, unless otherwise noted.

The Group is an entity of the kind referred to in ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2017/191, 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.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

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 their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1048 Interpretation of Standards.
- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses (AASB 112).
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107.
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle.

The new and revised Standards and Interpretations have not had a material impact nor resulted in changes to the Group's disclosures or the amounts recognised in its half-year financial statements.

Notes to the Condensed Consolidated Financial Statements (continued)

2. Distributions

Distributions recognised in the period by the Group are detailed below.

	31 Dec 2017		31 Dec 2016	
	Cents per security	**$'000**	**Cents per security**	**$'000**
Distributions paid during the period	4.10	6,688	-	-
Distributions payable	4.10	6,676	8.00	13,049
Total	**8.20**	**13,364**	**8.00**	**13,049**

3. Investment properties

Investment properties represent industrial and office properties held for rental income.

	31 Dec 2017 $'000	30 Jun 2017 $'000
Industrial and office properties	636,689	634,788
Land held for future development	3,271	3,212
Total	**639,960**	**638,000**

(a) Reconciliation of carrying amount

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

	31 Dec 2017 $'000	31 Dec 2016 $'000
Carrying amount at beginning of the period	638,000	386,139
Purchase of new properties: 1- 3 Westrac Drive, Tomago, NSW	-	167,392
Additions to existing investment properties	2,041	4,240
Movement in deferred lease incentives	(809)	(271)
Straight line revenue recognition	2,027	574
Net loss from fair value adjustments[1]	(1,357)	(5,800)
Interest capitalised	58	66
Carrying amount at end of the period	**639,960**	**552,340**

[1] The net loss from fair value adjustments is wholly unrealised and has been recognised as "net loss in fair value adjustments on investment properties" in the condensed consolidated statement of profit or loss and other comprehensive income. In the prior period, it includes a fair value loss of $8,792,000 arising from the write off of stamp duty and acquisition costs following the acquisition of 1-3 Westrac Drive, Tomago, NSW.

Notes to the Condensed Consolidated Financial Statements (continued)

3. Investment properties (continued)

(b) Industrial and office properties

	Property use	Latest independent valuation	Fair value 31 Dec 2017 $'000	Fair value 30 Jun 2017 $'000	Capitalisation rate 31 Dec 2017 %	Capitalisation rate 30 Jun 2017 %	Discount rate 31 Dec 2017 %	Discount rate 30 Jun 2017 %
34 Australis Drive, VIC	Industrial	Jun 2017	28,005	28,000	6.50%	6.50%	7.25%	7.25%
80-96 South Park Drive, VIC	Industrial	Jun 2017	22,000	22,000	7.00%	7.00%	7.25%	7.25%
89 West Park Drive, VIC	Industrial	Jun 2017	19,500	19,500	6.50%	6.50%	7.25%	7.25%
32-40 Garden Street, VIC	Industrial	Jun 2017	17,000	17,000	7.00%	7.00%	7.75%	7.75%
5 Butler Blvd, SA	Industrial	Jun 2017	12,257	12,200	8.84%	8.84%	9.25%	9.25%
140 Sharps Road, VIC	Industrial	Jun 2017	13,530	13,500	8.25%	8.25%	7.50%	7.50%
7 Clunies Ross and 17-19 McKechnie Drive, QLD	Office	Jun 2017	44,093	44,000	7.50%	7.50%	8.25%	8.25%
8 Clunies Ross and 9 McKechnie Drive, QLD	Office	Jun 2017	23,130	23,000	8.00%	8.00%	8.50%	8.50%
37 Brandl St, QLD	Office	Jun 2017	14,973	14,700	7.38%	7.38%	8.00%	8.00%
18 Brandl St, QLD	Office	Jun 2017	12,600	12,600	8.00%	8.00%	8.25%	8.25%
88 Brandl St, QLD	Office	Jun 2017	14,857	14,500	7.75%	7.75%	8.25%	8.25%
Building A, 1 Homebush Bay Drive, NSW	Office	Jun 2017	110,522	110,000	6.25%	6.00%	7.25%	7.25%
Building C, 1 Homebush Bay Drive, NSW	Office	Jun 2017	82,277	82,000	6.00%	6.25%	7.25%	7.25%
BTP Central, QLD	Office	Jun 2017	37,945	37,788	7.50%	7.50%	8.25%	8.25%
1-3 Westrac Drive, Tomago, NSW	Industrial	Jun 2017	184,000	184,000	6.25%	6.25%	8.25%	8.25%
45 and 45B McKechnie Drive, QLD (i)	Land	Jun 2017	3,271	3,212	-	-	-	-
Total consolidated entity			**639,960**	**638,000**				

Note: The fair value of assets which have not been independently valued at 31 December 2017 have been determined based on Directors' valuations.

Notes to the Condensed Consolidated Financial Statements (continued)

3. Investment properties (continued)

(i) BTP Co-operation Agreement

In accordance with the Co-operation Agreement between Industria and Graystone Pty Ltd (Graystone), Graystone has a 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.

4. Borrowings

	31 Dec 2017 $'000	30 Jun 2017 $'000
Current	46,250	-
Non-current	162,037	196,332
	208,287	**196,332**
Borrowings comprise of:		
Bank loans – secured	208,794	197,007
Less: Unamortised establishment costs	(507)	(675)
	208,287	**196,332**
The Group has access to the following lines of credit:		
Loan facility limit	215,000	215,000
Facilities drawn at balance date	208,794	197,007
Facilities not drawn at balance date	**6,206**	**17,993**

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. Discussions have commenced with financiers to amend the terms and conditions of the revolving cash advance facility and extend the term of the $46,250,000 tranche of borrowings maturing in December 2018.

The debt facility is secured by first ranking mortgages over all the investment properties held by the Group. At 31 December 2017, the carrying amount of the investment properties pledged as collateral was $639,960,000 (30 June 2017: $638,000,000).

The revolving cash advance facility agreement contains both financial and non-financial covenants and undertakings that are customary for secured debt facilities of this nature. The key financial covenants (with capitalised terms being defined terms in the agreement) that apply to the Group are as follows:

- The Loan to Valuation Ratio will not exceed 55% at all times
- The Gearing Ratio will not exceed 55% on each Calculation Date
- The Interest Cover Ratio will not fall below 2.0 times on each Calculation Date
- The WALE (weighted average lease expiry) will be greater than 2.5 years on each Calculation Date

In addition, the Group has a number of interest rate contracts that exchange variable rate interest exposure for fixed rate interest exposure or that cap the variable interest rate payable. The movement in the fair value of the interest rate contracts has been recognised in the condensed consolidated statement of profit or loss and other comprehensive income in the current period as hedge accounting has not been applied.

Notes to the Condensed Consolidated Financial Statements (continued)

5. Contributed equity

(a) Carrying amounts

	31 Dec 2017 $'000	31 Dec 2016 $'000
At the beginning of the period	303,476	220,818
Buy-back of contributed equity	(681)	-
Issue of contributed equity	-	85,000
Equity issue cost	-	(2,342)
At the end of the period	**302,795**	**303,476**
Attributable to:		
Equity holders of Industria Trust No.1	220,154	220,635
Equity holders of non-controlling interests	82,641	82,841
	302,795	**303,476**

(b) Number of securities on issue (Group)

	31 Dec 2017 Securities	31 Dec 2016 Securities
At the beginning of the period	163,113,881	123,019,191
Buy-back of contributed equity	(274,138)	-
Issue of contributed equity	-	40,094,690
At the end of the period	**162,839,743**	**163,113,881**

6. Financial instruments

The following table provides an analysis of financial instruments that are measured at fair value at 31 December 2017, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

- Level 1 applies to those financial instruments whose values are derived from quoted prices in active markets for identical assets or liabilities.
- Level 2 applies to those financial instruments whose values are 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) and include those financial instruments that trade in markets that are not considered active whose values are based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs.
- Level 3 applies to those financial instruments whose values are derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs) and therefore may not necessarily be supported by prices from observable current market transactions. The limited availability of observable market transactions in the same instrument suggests that the valuation of these investments is subject to a greater uncertainty and would require greater judgement

	Fair value measurement as at 31 December 2017			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	(1,740)	-	(1,740)
Total	**-**	**(1,740)**	**-**	**(1,740)**

Notes to the Condensed Consolidated Financial Statements (continued)

6. Financial instruments (continued)

Consolidated	Fair value measurement as at 30 June 2017 Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial liabilities at FVTPL				
Interest rate swaps	-	(2,079)	-	(2,079)
Total	**-**	**(2,079)**	**-**	**(2,079)**

There were no transfers between levels during the periods.

7. 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 Group. Accordingly there are no staff costs included in the condensed consolidated statement of profit or loss and other comprehensive income.

No fees have been paid to the Directors of APN Funds Management Limited or Industria Company No.1 Limited in their capacity as Directors of the Responsible Entity of the Group or Industria Company No.1 Limited respectively.

(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 half-year, management fees payable to APN FM totalled $1,780,000 (2016: $1,339,000), of which $894,000 (2016: $767,000) remains payable to the Responsible entity at balance date.

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 or a leasing fee at market rates respectively. During the period, APN FM provided leasing services to the Group and consequently charged leasing fees totaling $125,000 (2016: $116,000).

8. Earnings per security

	31 Dec 2017	31 Dec 2016
Profit attributable to securityholders ($'000)	13,788	8,304
Weighted average number of securities outstanding (thousands)	162,985	145,669
Basic and diluted earnings per security (cents)	**8.46**	**5.70**

Notes to the Condensed Consolidated Financial Statements (Continued)

9. Contingent liabilities and contingent assets

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.

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

10. Commitments

The Group has no unrecognised commitments as at 31 December 2017 (2016: Nil).

11. Events occurring after the reporting period

There have been no other significant events or transactions that have arisen since 31 December 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.

12. 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 consistent with the reporting reviewed by the chief operating decision makers.

13. Additional information

APN Funds Management Limited, a public company incorporated and operating in Australia, is the Responsible Entity of Industria REIT.

Principal registered office
Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Principal place of business
Level 30
101 Collins Street
MELBOURNE VIC 3000
Tel: (03) 8656 1000

Directors' Declaration

For the half-year ended 31 December 2017

The Directors of APN Funds Management Limited, the Responsible Entity of Industria Trust No. 1, declare that:

(a) In the Director's opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable; and

(b) In the Director's opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the Directors of the Responsible Entity made pursuant to s.303 (5) of the Corporations Act 2001.

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

Geoff Brunsdon
Director
Melbourne, 19 February 2018

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

Tel: +61 3 9671 7000
Fax: +61 3 9671 7001
www.deloitte.com.au

Independent Auditor’s Review Report to the Unitholders of Industria REIT

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Industria REIT (“the Group”), which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit and loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration of the Group during the half year as set out in pages 8 to 19.

Directors’ Responsibility for the Half-Year Financial Report

The directors of the responsible entity of each of the entities comprising the Group (“the Directors”) are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group’s financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor’s Independence Declaration

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

Deloitte.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Trust is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants

Melbourne, 19 February 2018