‘Industria REIT’ being

Industria Trust No. 1 and its Controlled Entities

ARSN 125 862 875

(formerly Australand Wholesale Property Trust No. 6)

Financial Report for the Financial Year

Ended 30 June 2014

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 (Previously Australand Wholesale Property Trust No. 6)
- Industria Trust No. 2 (Previously Australand Wholesale Property Trust No. 6A)
- Industria Trust No. 3 (Previously APN Wholesale Direct Property Pool)
- Industria Trust No. 4 (Previously BTP Central Trust)
- Industria Company No. 1 Ltd (Previously APN DF1 Developments (Qld) Pty Ltd)

These consolidated financial statements represent the consolidated results of Industria Trust No. 1 and Industria Trust No. 2 for the period from 1 July 2013 to 5 December 2013, and the consolidated results of Industria REIT from the date of stapling on 5 December 2013 to 30 June 2014.

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Directors' Report

The Directors of APN Funds Management Limited ('APN FM'), the Responsible Entity of Industria Trust No. 1 ('Trust') (formerly Australand Wholesale Property Trust No. 6 ('AWPT6')), present their report on the consolidated entity ('Group'), being Industria Trust No. 1 and its controlled entities, for the year ended 30 June 2014.

The consolidated statement of profit or loss and other comprehensive income incorporates the consolidated results of Industria Trust No. 1 and Industria Trust No. 2 for the period from 1 July 2013 to 5 December 2013, at which date the stapling of Industria REIT entities was effected. The period from 5 December 2013 to 30 June 2014 represents the consolidated results of Industria REIT.

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

Information about the Directors

On 5 December 2013 the Responsible Entity of the Trust changed from Australand Funds Management Limited to APN Funds Management Limited.

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

Directors of APN Funds Management Limited (current Responsible Entity)

Geoff Brunsdon (Appointed 5 December 2013)
Howard Brenchley (Appointed 5 December 2013)
Jennifer Horrigan (Appointed 5 December 2013)
Michael Johnstone (Appointed 5 December 2013)
Michael Groth (Alternate Director – appointed 20 March 2014)

Directors of Australand Funds Management Limited (previous Responsible Entity)

Ian Payne (Resigned 5 December 2013)
John McCarthy (Resigned 5 December 2013)
Michael Newsom (Resigned 5 December 2013)

Principal activities

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

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

Significant changes in the state of affairs

Effective 5 December 2013, the units of Industria Trust No. 1 (previously AWPT6), along with the units of its controlled entity, Industria Trust No. 2 (previously Australand Wholesale Property Trust No. 6A ('AWPT6A')), were stapled with the securities of the following entities:

- Industria Trust No. 3 (formerly APN Wholesale Direct Property Pool)
- Industria Trust No. 4 (formerly BTP Central Trust)
- Industria Company No. 1 Ltd (formerly APN DF1 Developments (Qld) Pty Ltd)

On the date of stapling the group was listed on the ASX as Industria REIT.

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

All benefits and risks of ownership and operations of the controlled entities flow through to the consolidated results of Industria Trust No. 1 and its controlled entities and form part of the profit attributable to stapled securityholders. Accordingly, whilst the results and equity of the controlled entities are disclosed as non-controlling interests, the stapled securityholders of the controlled entities are the same as the stapled securityholders of Industria Trust No. 1.

Directors’ Report (continued)

As the financial statements represent the continuation of Industria Trust No. 1 (formerly AWPT6) as a business, albeit with a different capital structure, the comparative information presented herein represents the 2013 results of the AWPT6 and AWPT6A stapled group.

Effective from the date of the stapling, the Responsible Entity of the Trust changed from Australand Funds Management Limited to APN Funds Management Limited and the name of the Trust changed from Australand Wholesale Property Trust No. 6 to Industria Trust No. 1.

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 $30,773,000 for the full year ended 30 June 2014 (30 June 2013: $19,261,000). The full year results represent the consolidated results of Industria Trust No. 1 and Industria Trust No. 2 for the period from 1 July 2013 to 5 December 2013 and the consolidated results of Industria REIT from the date of stapling on 5 December 2013 to 30 June 2014.

A summary of Industria REIT’s results for the period from 5 December 2013 to 30 June 2014 is as follows:

	5 December 2013 - 30 June 2014 $’000	PDS Forecast $’000
Net rental income and share of profit of joint venture	18,609	17,863
Operating expenses	(1,620)	(1,550)
Net profit before interest, tax and other items	**16,989**	**16,313**
Net interest expense	(3,192)	(3,194)
Net profit before tax and other items	**13,797**	**13,119**
Income tax – current	(83)	(74)
Income tax – deferred	(350)	-
Net profit after tax	**13,364**	**13,045**
Other items:		
Net gain in fair value adjustments on investment properties	18,779	-
Goodwill impairment	(131)	-
Fair value loss on derivatives	(1,309)	-
IPO transaction and establishment costs (net of APN contribution)	(3,182)	(3,400)
Net profit attributable to unitholders of Industria REIT	**27,521**	**9,645**

Net profit before interest, tax and other items for the period from 5 December 2013 to 30 June 2014 was favourable to PDS forecast by $676,000; largely attributable to a higher than forecast IFRS straight lining adjustment.

Directors' Report (continued)

Review of operations (Continued)

The Responsible Entity uses the Group's underlying operating income as an additional performance indicator. Underlying operating income does not take into account certain items recognised in the 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.

Underlying operating income for the period from 5 December 2013 to 30 June 2014 has been calculated as follows:

	5 December 2013 - 30 June 2014 $'000	PDS Forecast $'000
Net profit after tax (before other items)	13,364	13,045
Adjusted for:		
Add back amortised borrowing costs	160	101
Reverse straight lining of rent	(1,402)	(726)
Add back deferred tax charge	350	-
Underlying operating income	12,472	12,420
Distribution	11,925	11,925
Payout ratio	95.6%	96.0%
Distributions per unit post 5 December 2013 (cents per unit)	9.54	9.54
Underlying operating income post 5 December 2013 (cents per unit)	9.98	9.94

The interest expense for the period from 5 December 2013 to 30 June 2014 was in line with the PDS forecast; favourable variances due to lower than forecast loan balances in the five months from December 2013 to April 2014 were offset by adverse interest expense variances in May 2014 and June 2014 due to an increase in the loan facility on 1 May 2014 used to acquire the remaining 50% share of 88 Brandl Street.

The underlying operating income period from 5 December 2013 to 30 June 2014 was in line with the PDS forecast at 9.98 cents per unit compared to the PDS forecast of 9.94 cents per unit.

Net tangible assets and asset valuations

Total investment property assets increased by $34.7 million or 9.4% to $404 million over the period from 5 December 2013 to 30 June 2014. The increase was due to $8.9 million of capital expenditure in relation to the completion of properties under development, $7 million due to the acquisition of the remaining 50% share of 88 Brandl Street and $18.8 million of fair value adjustments as a result of growth in underlying net property income and firming of capitalisation rates used by external valuers to determine asset values. Asset value growth was experienced across all sectors of the portfolio and geographic locations.

Net tangible assets ("NTA") total $250.1 million, equating to $2.00 per security for the period ending 30 June 2014. The NTA per security of $2.00 has increased by 3.1% from $1.94 as at 5 December 2013, primarily driven by increases in the underlying asset values.

Directors' Report (continued)

Leasing

Throughout the period over 5,300 sqm was successfully leased in what continues to be a subdued leasing environment:

Leasing transactions >500 sqm

- 884 sqm office tenancy to MPS at 8 Clunies Ross Court, Brisbane Technology Park
- 743 sqm office tenancy to BGC at 8 Clunies Ross Court, Brisbane Technology Park
- 650 sqm office tenancy to Diebold at Rhodes Building C
- 2,838 sqm office tenancy to Queensland Health, 51A McKechnie Drive, Brisbane Technology Park

The portfolio WALE as at 30 June 2014 was 5.03 years and occupancy is 92.6%.

Development of 51A McKechnie Drive, Brisbane Technology Park

The construction of 51A McKechnie Drive, Brisbane Technology Park and a multi-level car park which forms part of the BTP Central precinct was completed on time and budget. The development reached practical completion on 30 June 2014 and Queensland Health has entered into an agreement for lease for tenancy of 100% of the building for a period of six years. The project was completed on budget and as outlined in Industria REIT's PDS and Prospectus. Industria REIT will not take on material development risk.

Acquisitions

On 1 May 2014, Industria REIT purchased the remaining 50% of 88 Brandl Street; the only property in Industria's portfolio not previously owned 100%. 88 Brandl Street is a modern asset with an excellent location within BTP. The purchase price of the remaining 50% represented a capitalisation rate of 8.875%. The asset is 100% occupied and exhibits a 3.6 year weighted average lease expiry, by area.

The acquisition was secured on attractive terms relative to independent valuation and simplifies Industria's ownership structure providing greater flexibility in managing the asset going forward.

Outlook

The Australian economy has been exceptionally resilient, despite major global economic disruptions. GDP growth began to recover early in 2014, aided by low mortgage rates which are boosting the housing sector and household wealth which is translating into stronger expenditure and a recovery in retail spending.

Macroeconomic policy is supportive for growth in the domestic economy. Cash rates are at a generational low, which is having the desired impact. Government finances remain in a relative good state compared to other major economies in the world.

The real estate operating environment seems to be lagging what are early signs of a market turnaround, this is primarily due to softer conditions in domestic business conditions. Sydney and Melbourne are showing signs of uplift in demand; we expect Perth and Brisbane to lag given effects of the resources downturn.

However, investment markets gathered significant pace throughout 2014, driven by strong foreign and domestic interest. Asset values are appreciating as demand and the appetite for investment grade real estate gathers momentum, which will lead to tightening capitalisation rates. Current operational conditions broadly remain subdued.

Directors' Report (continued)

Future Developments

The Group remains focused on providing unitholders with an attractive stable cash income return generated by a high quality, diversified portfolio of industrial, technology park and business park properties.

Disclosure of information regarding likely developments in the operations of the Group in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Group. Accordingly, this information has not been disclosed in this report.

Distributions

Distributions of $15,495,000 were paid or declared by the Group to unitholders during the year ended 30 June 2014 (30 June 2013: $11,725,000).

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 units in the Trust during or since the end of the financial year; or
- Granted to the Responsible Entity.

No unissued units in the Trust were under option as at the date on which this report is made. No units were issued in the Trust during or since the end of the financial year as a result of the exercise of an option over unissued units in the Trust.

Indemnification of officers of the responsible entity and auditors

APN Funds Management Limited ('the Company') in its capacity as the Responsible Entity of the Group has agreed to indemnify the Directors and officers of the Company and its controlled entities, 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 Company. 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 19 to the financial statements.

Interests of the Responsible Entity and its associates in the stapled group are disclosed in note 19 to the financial statements.

The number of interests in the Group issued during the financial year, withdrawals from the Group during the financial year, and the number of interests in the Group at the end of the financial year is disclosed in note 17 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 50,000 units in the Industria REIT stapled Group as at 30 June 2014. No other director has interests, or rights or options over interests, in the stapled group.

Directors' Report (continued)

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 9.

Industria REIT – ASX and ASIC grant relief from reporting requirements for half year ended 31 December 2013

In connection with its initial public offering and as contemplated by the PDS and Prospectus dated 28 October 2013, Industria REIT obtained relief from ASIC and ASX from the requirement to prepare a half year financial report or half year Directors' report for the half year ended 31 December 2013.

Rounding of amounts

The Group is an entity of the kind referred to in Class Order 98/100 issued by the Australian Securities and Investments Commission relating to the rounding of amounts in the financial report and Directors' report. In accordance with that Class Order, amounts in the Directors' report and financial report have been rounded 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, 25 August 2014

Deloitte.

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The Board of Directors
APN Funds Management Limited
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Melbourne, Vic 3000

Dear Board Members

INDEPENDENCE DECLARATION – INDUSTRIA TRUST NO. 1

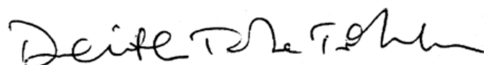
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of APN Funds Management Limited, the Responsible Entity, regarding the financial report for Industria Trust No. 1.

As lead audit partner for the audit of the financial statements of Industria Trust No. 1 for the year ended 30 June 2014, 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
Melbourne, 25 August 2014

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Notes	2014 $'000	2013 $'000
Revenue			
Rental income		**33,325**	22,391
Total revenue from continuing operations		**33,325**	22,391
Other income			
Share of profit of joint venture	**3**	**176**	-
Other income	**3**	**1,700**	-
Interest income		**50**	25
Net gain in fair value adjustments on investment properties	**11**	**18,066**	6,902
		19,992	6,927
Total income		**53,317**	29,318
Expenses			
Property costs		**(9,104)**	(4,451)
Trust management fees	**19**	**(1,266)**	(821)
Goodwill impairment	**10**	**(131)**	-
Interest expense	**4**	**(5,080)**	(4,726)
Fair value loss on derivatives	**15**	**(1,309)**	-
Trust costs			
Recurring trust costs		**(339)**	(692)
IPO and other establishment costs		**(4,882)**	-
Total expenses		**(22,111)**	(10,690)
Net profit before tax		**31,206**	18,628
Income tax expense – current	**5**	**(83)**	-
Income tax expense – deferred	**5**	**(350)**	-
Net profit after tax		**30,773**	18,628
Attributable to:			
Equity holders of Industria Trust No. 1		**23,618**	15,577
Equity holders of non-controlling interests		**7,155**	3,051
		30,773	18,628
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Changes in the fair value of cash flow hedges, net of tax		**-**	633
Total comprehensive income for the financial year		**30,773**	19,261
Total comprehensive income is attributable to:			
Equity holders of Industria Trust No. 1		**23,618**	16,210
Equity holders of non-controlling interests		**7,155**	3,051
		30,773	19,261
Earnings per unit			
Basic and diluted (cents per unit)	**22**	**20.58**	15.52

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 2014

	Notes	2014 $'000	2013 $'000
Current assets			
Cash and cash equivalents	20	2,570	1,594
Trade and other receivables	8	2,959	424
Other assets	9	631	216
Total current assets		6,160	2,234
Non-current assets			
Investment properties	11	403,971	211,950
Other assets	9	88	62
Total non-current assets		404,059	212,012
Total assets		410,219	214,246
Current liabilities			
Payables	12	(7,476)	(3,837)
Provisions	14	(385)	-
Derivative financial instruments	15	(619)	-
Distributions payable	7	(11,925)	(3,107)
Total current liabilities		(20,405)	(6,944)
Non-current liabilities			
Payables	12	(176)	(175)
Derivative financial instruments	15	(690)	-
Borrowings	13	(136,443)	(68,986)
Deferred tax liability	5	(2,381)	-
Total non-current liabilities		(139,690)	(69,161)
Total liabilities		(160,095)	(76,105)
Net assets		250,124	138,141
Equity			
Equity holders of Industria Trust No. 1:			
Contributed equity	17	167,659	137,999
Accumulated losses	17	(2,785)	(14,454)
		164,874	123,545
Equity holders of non-controlling interests	18	85,250	14,596
Total Equity		250,124	138,141

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 2014

	Attributable to owners of Industria Trust No. 1					
	Contributed Equity	**Reserves**	**Accumulated Losses**	**Total**	**Non-controlling interests**	**Total equity**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2012	137,999	(633)	(20,169)	117,197	13,408	130,605
Net profit for the year	-	-	15,577	15,577	3,051	18,628
Other comprehensive income for the year	-	633	-	633	-	633
Total comprehensive income for the year	-	633	15,577	16,210	3,051	19,261
Transactions with unitholders in their capacity as owners						
Distributions paid or provided (Note 7)	-	-	(9,862)	(9,862)	(1,863)	(11,725)
Balance at 30 June 2013	137,999	-	(14,454)	123,545	14,596	138,141
Net profit for the year	-	-	23,618	23,618	7,155	30,773
Other comprehensive income for the year	-	-	-	-	-	-
Total comprehensive income for the year	-	-	23,618	23,618	7,155	30,773
Transactions with unitholders in their capacity as owners						
Equity issued during the year	33,411	-	-	33,411	15,850	49,261
Equity acquired during the year	-	-	-	-	55,456	55,456
Capital raising costs	(3,751)	-	-	(3,751)	(4,369)	(8,120)
Distributions paid or provided (Note 7)	-	-	(11,949)	(11,949)	(3,438)	(15,387)
Balance at 30 June 2014	**167,659**	**-**	**(2,785)**	**164,874**	**85,250**	**250,124**

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 2014

	Notes	2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		**35,811**	21,984
Payments to suppliers		**(29,504)**	(6,786)
Other cash receipts		**1,700**	-
Interest received		**50**	25
Finance costs paid		**(5,977)**	(4,510)
Net cash inflow from operating activities	**20**	**2,080**	10,713
Cash flows from investing activities			
Payments for improvements to investment properties		**(9,035)**	(2,219)
Net cash inflow from acquisition of subsidiaries	**10**	**1,975**	-
Net cash (outflow) from investing activities		**(7,060)**	(2,219)
Cash flows from financing activities			
(Repayment of borrowings) / proceeds from borrowings		**(28,385)**	2,686
Proceeds on equity issue		**49,262**	-
Payment for equity issue costs		**(8,120)**	-
Distributions paid		**(6,801)**	(11,158)
Net cash inflow/(outflow) from financing activities		**5,956**	(8,474)
Net increase in cash and cash equivalents		**976**	20
Cash and cash equivalents at the beginning of the financial		**1,594**	1,574
Cash and cash equivalents at the end of the financial year		**2,570**	1,594

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

Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

Statement of compliance & basis of preparation

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

The financial statements comprise the consolidated financial statements of the Group, as detailed in note 16 to these accounts. For the purposes of preparing these consolidated financial statements, the Group is a for-profit entity. Accounting Standards include Australian Accounting Standards.

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

The financial statements were authorised for issue by the Directors on 25 August 2014.

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

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

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

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

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

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2014 and the comparative information presented in these financial statements.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

New and revised Standards on consolidation, joint arrangements, associates and disclosures

In August 2011, a package of five standards on consolidation, joint arrangements, associates and disclosures was issued comprising AASB 10 'Consolidated Financial Statements', AASB 11 'Joint Arrangements', AASB 12 'Disclosure of Interests in Other Entities', AASB 127 (as revised in 2011) 'Separate Financial Statements' and AASB 128 (as revised in 2011) 'Investments in Associates and Joint Ventures'. Subsequent to the issue of these standards, amendments to AASB 10, AASB 11 and AASB 12 were issued to clarify certain transitional guidance on the first-time application of the standards.

In the current year, the Group has applied for the first time AASB 10, AASB 11, AASB 12, AASB 13, AASB 127 (as revised in 2011) and AASB 128 (as revised in 2011) together with the amendments to AASB 10, AASB 11 and AASB 12 regarding the transitional guidance.

The impact of the application of these standards is set out below.

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee; b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. The directors of the Group made an assessment at the date of the initial application of AASB 10 (i.e. 1 July 2013) as to whether or not the Group has control over its subsidiaries in accordance with the definition of control and the related guidance set out in AASB 10. Given the subsidiaries are 100% wholly owned, the directors have concluded that control assessment over its subsidiaries remains the same and thus the application of AASB 10 and AASB 2011-7 does not have any material impact on the amounts recognised in the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 11 replaces AASB 131 'Interests in Joint Ventures', and the guidance contained in a related interpretation, Interpretation 113 'Jointly Controlled Entities – Non-Monetary Contributions by Venturers', has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement. Previously, AASB 131 contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity). The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expenses incurred jointly). Each joint operator accounts for the assets and liabilities, as well as revenues and expenses, relating to its interest in the joint operation in accordance with the applicable Standards. From the date of stapling to 30 April 2014 the Group had a 50% share in property at 88 Brandl Street (a subsidiary entity of the Group subsequently purchased the previously externally held 50% on 1 May 2014 and thus the asset is 100% owned within the Group as at 30 June 2014). The Directors of the Group reviewed and assessed the classification of the Group's investments in joint arrangements in accordance with the requirements of AASB 11 and concluded that the investment in 88 Brandl Street which was classified as a joint venture under AASB 131 and was accounted for using the equity method of accounting, was correctly classified as a joint venture under AASB 11 and thus no changes were deemed necessary.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements (please see notes 10 and 16 for details).
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period (please see notes 11 and 15 for the 2014 disclosures). Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	This standard amends AASB 10 and various Australian Accounting Standards to revise the transition guidance on the initial application of those Standards. This standard also clarifies the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments. The adoption of this amending standard does not have any material impact on the consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

Rounding off of amounts

The Trust is a Trust of the kind referred to in ASIC Class Order 98/100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report for the year ended 30 June 2014:

(a) Revenue recognition

(i) Investment property

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

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

(ii) Rental income

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

(iii) Interest income

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

(b) Expenses

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

(c) Cash and cash equivalents

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

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

(d) Financing costs

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

Financing costs exclude borrowing costs capitalised to qualifying assets. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Borrowing costs that are directly attributable to the acquisition, construction or development of a qualifying asset are capitalised as part of that asset. Capitalisation of borrowing costs is ceased 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.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(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.

(g) Distributions

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

(h) Debt and equity instruments

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

(i) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss and other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the statement of financial position 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.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(j) Goods and services tax

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

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

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

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

(k) Impairment

(i) Impairment of financial assets

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

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

(ii) Impairment of other tangible assets

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

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

(l) Payables

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

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(m) Borrowings

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

(n) Leases and lease incentives

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

Group as lessor

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

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

(o) Financial instruments

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

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

Financial assets

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

Effective Interest Rate

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

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

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(o) Financial instruments (Continued)

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the ‘other gains and losses’ line item. Fair value is determined in the manner described in note 15.

Derecognition of financial assets

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

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

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

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(o) Financial instruments (Continued)

Financial liabilities and equities

Equity instruments

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

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in consolidated statement of profit or loss and other comprehensive income. The net gain or loss recognised in consolidated statement of profit or loss and other comprehensive income incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item. Fair value is determined in the manner described in note 15.

Other financial liabilities

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

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

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

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(o) Financial instruments (Continued)

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

(p) Derivative financial instruments

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

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

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity in the hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

Amounts accumulated in equity are recycled in the consolidated statement of profit or loss and other comprehensive income in the period when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the measurement of the initial cost or carrying amount of the asset or liability.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the consolidated statement of profit or loss and other comprehensive income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the consolidated statement of profit or loss and other comprehensive income.

(q) Issued units

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

(r) Provisions

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

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

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

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(s) Basis of consolidation

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

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

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

When the Trust has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Trust considers all relevant facts and circumstances in assessing whether or not the Trust's voting rights in an investee are sufficient to give it power, including:

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

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

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

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

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

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

Changes in the Group’s ownership interests in existing subsidiaries

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

When the Group loses control of a subsidiary, a gain or loss is recognised in consolidated statement of profit or loss and other comprehensive income and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(t) Investment in joint venture

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

The results and assets and liabilities of joint ventures are incorporated in these financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. When the Group's share of losses of a joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

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

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

(u) Business combinations

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

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

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;

  liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the 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.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(u) Business combinations (Continued)

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where a business combination is achieved in stages, the Group’s previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in consolidated statement of profit or loss and other comprehensive income. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

(v) Earnings per unit

(i) Basic earnings per unit

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

(ii) Diluted earnings per unit

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

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(w) 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.

Standard	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 -Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
INT 21 'Levies'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' • Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles' • Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' • Part C: 'Materiality'	1 July 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2015	30 June 2016
AASB 2014-3 'Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017

[1] The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.
- In December 2013 the AASB issued AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.
- In June 2014 the AASB issued AASB 2014-1 'Amendment to Australian Accounting Standards', Part E – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2018. For annual reporting periods beginning before 1 January 2018, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

Notes to the Consolidated Financial Statements (Continued)

1. Summary of significant accounting policies (Continued)

(w) AASB Accounting Standards not yet effective (Continued)

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	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
IFRS 9 Financial Instruments	1 January 2018	30 June 2019
Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016	30 June 2017

2. Accounting estimates and Judgements

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

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

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

(a) Critical accounting estimates and assumptions

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

The Group had investment properties with a net carrying amount of $403,971,000 (2013: $211,950,000) (see note 11), representing estimated fair value. These carrying amounts reflect certain assumptions about expected future rentals, rent-free periods, operating costs and appropriate discount and capitalisation rates. In forming these assumptions, the Responsible Entity considered information about current and recent sales activity, current market rents, and discount and capitalisation rates, for properties similar to those owned by the Group, as well as independent valuations of the Group's property.

Notes to the Consolidated Financial Statements (Continued)

2. Accounting estimates and Judgements (Continued)

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

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 year are as follows:

- Fair value of investment properties

  Note 11 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, and whether there are any indicators of impairment. In making their judgement, the Directors have considered internal and external valuations and the appropriateness of future cash flows and capitalisation rates applied. The Directors are satisfied that the valuations applied are appropriate.

- Categorisation in fair value hierarchy

  Note 11 describes the valuation techniques and significant unobservable inputs used to determine the fair value of investment properties. The significance of these inputs requires judgement and impacts on the level of the fair value hierarchy to which the valuation is applied. The Directors have determined that there are a number of significant unobservable inputs used in the valuation techniques and have classified the valuations as Level 3.

- Determination of parent entity in stapling transaction

  The Directors' report provides information on the stapling transaction which occurred during the financial year. At the date of stapling the Directors performed an assessment to determine which of the stapled entities should be identified as the acquirer. Given that no equity instruments were transferred, Industria Trust No. 1 has been identified as the acquirer on the basis that its relative size (in terms of assets and revenues) is significantly greater than that of the other stapled entities.

Notes to the Consolidated Financial Statements (Continued)

3. Other income

	2014 $'000	2013 $'000
Share of profit of joint venture (i)	**176**	-
Contribution received (ii)	**1,700**	-
	1,876	-

(i) On 5 December 2013 the Industria REIT Group acquired Industria Company No.1 Ltd as part of the stapling transaction. At this date, McKechnie Drive Pty Ltd, a 100% subsidiary of Industria Company No.1 Ltd, held a 50% joint investment in property at 88 Brandl Street. This investment was equity accounted in the accounts of Industria Company No. 1 Ltd.

On 1 May 2014, the Group purchased the externally held remaining 50% of the 88 Brandl Street property. At this date, a Co-ownership Deed was signed by APN Funds Management Limited (in its capacity as Responsible Entity of Industria Trust No. 4 – the purchasing entity) and McKechnie Drive Pty Ltd. This agreement details that each entity has the rights to an equal share of the net assets of the joint arrangement. This joint arrangement has been identified as a joint venture and is equity accounted in the financial statements of both entities.

The share of profit of joint venture disclosed in these consolidated financial statements represents the Group's share of 88 Brandl Street profits from 5 December 2013 to 30 April 2014. From 1 May the property is 100% owned within the Group and its results are consolidated herein.

(ii) As part of the stapling arrangement, APN Funds Management Limited, in its personal capacity, agreed to contribute $1.7m towards the initial establishment costs of Industria REIT. Industria REIT has no obligation to repay this amount.

4. Finance costs

	2014 $'000	2013 $'000
Interest on bank borrowings (i)	**4,899**	4,509
Interest on loan from related parties (ii)	**19**	-
Amortisation of borrowing costs	**160**	217
Bank charges	**2**	-
	5,080	4,726

(i) The Group has entered into a revolving credit facility with ANZ and NAB which provides the Group with $155m of flexible debt. As at 30 June 2014, $137.5m of this facility has been drawn down. The Group has subsequently entered into a number of interest rate swaps to hedge its risk to unfavourable changes in the interest rate. Refer to note 15 for details of the fair value of the interest rate swaps.

(ii) Interest on related party loans from the date of acquisition have been eliminated on consolidation. Related party interest expense disclosed here relates to interest on loans of Industria Trust No. 1 and Industria Trust No. 2 with previous related parties prior to the stapling transaction.

Notes to the Consolidated Financial Statements (Continued)

5. Income tax expenses

	2014 $'000	2013 $'000
(a) Income tax expense recognised in the consolidated statement of profit or loss and other comprehensive income		
The components of tax expense comprises:		
Current tax expense	**83**	-
Deferred tax expense relating to the origination and reversal of temporary differences	**350**	-
	433	-
(b) Reconciliation between tax expense and pre-tax net profit		
Profit from continuing operations	**31,206**	18,628
Less profit of group relating to non-taxable Trust entities	**(28,922)**	(18,628)
Taxable profit of group	**2,284**	-
Prima facie tax payable on profit before income tax @30% (2013:30%)	**685**	-
Add/(subtract):		
Tax effect of:		
Share of profit of equity accounted investments	**(23)**	-
Result of exiting the former tax consolidation group	**(229)**	
Income tax attributable	**433**	-

The prior year financial statements included the results of Trust No. 1 (previously AWPT6) and Trust No. 2 (previously AWPT6A). Under income tax legislation, the consolidated entity was not liable for income tax as taxable income was fully distributed.

(c) Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:	Opening balance $000	Acquisitions $000	Recognised in profit or loss $000	Closing balance $000
Provisions and accruals	-	(15)	53	**38**
Capitalised interest	-	(288)	-	**(288)**
Capitalised lease costs	-	(652)	-	**(652)**
Capitalised acquisition costs	-	-	(167)	**(167)**
Capitalised borrowing costs	-	-	1	**1**
Fair value adjustments on investment property	-	702	(106)	**596**
Depreciation allowances	-	(1,819)	(277)	**(2,096)**
Fair value adjustments on derivatives	-	-	166	**166**
Tax losses carried forward	-	39	(20)	**19**
Others	-	2	-	**2**
	-	(2,031)	(350)	**(2,381)**

The current year consolidated financial statements include the results, from date of acquisition, of Industria Company No. 1 Limited, a registered company limited by shares. The prior year consolidated financial statements included AWPT6 and AWPT6A who, as Trusts, were not liable to income tax.

Notes to the Consolidated Financial Statements (Continued)

6. Auditor's remuneration

	2014 $	2013 $
Assurance services		
Audit services		
Audit of financial reports and other audit work under the *Corporations Act 2001*	**149,000**	70,500
Total remuneration for audit services	**149,000**	70,500
Other assurance services		
Compliance plan audit services	**8,000**	19,600
Due diligence fees (non-recurring)	**588,137**	-
Outgoings audit fees	**-**	14,700
Total remuneration for other assurance services	**596,137**	34,300
Total auditor's remuneration	**745,137**	104,800

The auditor of the Group is Deloitte Touche Tohmatsu (2013: PricewaterhouseCoopers).

7. Distributions

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

Distributions 2014 **Quarter ended:**	**Cents per unit**	**Total amounts $'000**
September 2013	1.91	2,960
December 2013	0.39	610
June 2014	9.54	11,925
Total	**11.84**	**15,495**

September and December 2013 distributions represent amounts distributed to unitholders of the old stapled group, consisting of Australand Wholesale Property Trust No. 6 and Australand Wholesale Property Trust No. 6A. The December 2013 distribution represents a final distribution to these unitholders prior to the formation of Industria REIT stapled group.

The June 2014 distribution represents amounts payable to unitholders of Industria REIT. Industria REIT intends to make distributions on a half yearly basis.

Included in distributions paid in the consolidated statement of changes in equity is a reversal of over-accrual for prior year distributions of $108,000.

Distributions 2013 **Quarter ended:**	**Cents per unit**	**Total amounts $'000**
September 2012	1.69	2,620
December 2012	1.87	2,898
March 2013	2.00	3,100
June 2013	2.00	3,107
Total	**7.56**	**11,725**

The distributions were declared at the end of each quarter during the previous financial year.

Notes to the Consolidated Financial Statements (Continued)

8. Trade and other receivables

	2014 $'000	2013 $'000
Current		
Rent debtors	**2,959**	424
	2,959	424

Accounts receivable are non-interest bearing and are generally on 0-30 day terms. A provision for impairment loss would be recognised when there is objective evidence that an individual receivable is impaired. As at 30 June 2014 no receivables were impaired (2013: $nil).

The ageing analysis of accounts receivable not impaired as at 30 June 2014 is as follows:

- Consolidated 0-30 days $2,951,000 (2013: $424,000)
- Consolidated 31-90 days $7,000 (2013: $nil)
- Consolidated 90+days $1,000 (2013: $nil)

9. Other assets

	2014 $'000	2013 $'000
Current		
Prepayments	**162**	189
Debt establishment costs	**-**	27
Accrued income	**300**	-
Other	**169**	-
	631	216
Non-Current		
Deferred charges	**88**	62
	88	62

Deferred charges comprise mainly of leasing fees capitalised and amortised over the period of the tenancy lease.

Notes to the Consolidated Financial Statements (Continued)

10. Business combinations

(A) Acquisition of Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd

During the financial year the previous stapled group (being Industria Trust No. 1 and Industria Trust No. 2) entered into a stapling arrangement with the entities listed below. In accordance with accounting standards, Industria Trust No. 1 has been identified as the acquirer in the stapling transaction.

	Proportion of units/shares acquired	Consideration transferred $'000
Industria Trust No. 3	-	-
Industria Trust No. 4	-	-
Industria Company No. 1 Ltd	-	-

The acquisition date for this transaction has been identified as 5 December 2013. Accordingly, the results of the above listed entities have been consolidated from this date.

The principal activities of each of the above entities are the same as that of Industria Trust No. 1; ownership of industrial, technology park and business park properties for rental income. These entities were acquired to expand the property portfolio of the Group and to form Industria REIT to be listed on the ASX.

The assets acquired and liabilities assumed at the date of acquisition are detailed below.

	Industria Trust No.3 $'000	Industria Trust No.4 $'000	Industria Company No.1 Ltd $'000
Current assets			
Cash and cash equivalents	1,881	255	2,266
Trade and other receivables	203	349	5,198
Non-current assets			
Investment properties	32,781	32,501	85,241
Investment in Joint Venture	-	-	2,415
Current liabilities			
Trade and other payables	(2,201)	(7,051)	(3,499)
Derivative financial instruments	(11)	-	-
Borrowings	(19,199)	(15,231)	(57,780)
Distribution payable	(232)	-	-
Provisions	-	-	(385)
Non-current liabilities			
Deferred tax liability	-	-	(2,031)
Net assets	**13,222**	**10,823**	**31,425**

Notes to the Consolidated Financial Statements (Continued)

10. Business combinations (Continued)

The fair value of the receivables acquired (which principally comprise trade receivables) in these transactions equates to their carrying value. At the acquisition date it has been estimated that all contractual cash flows from trade receivables are collectable.

Due to the nature of the stapling transaction, the Group has attributed the net assets of the acquired entities to the owners of the acquired entities as non-controlling interests.

Impact of acquisition on the results of the Group

The table below summarises the revenue and profit and loss included in the consolidated financial statements attributable to the acquired entities.

	Industria Trust No.3 $'000	Industria Trust No.4 $'000	Industria Company No.1 Ltd $'000
Revenue	1,929	1,379	6,363
Net profit	4,501	(2,805)	1,859

Had these business combinations been effected at 1 July 2013, the revenue of the Group from continuing operations would have been $39,680,000, and the profit for the year from continuing operations would have been $42,116,000.

	$'000
Net cash inflow in acquisition of subsidiaries	
Consideration paid in cash	-
Cash and cash equivalents acquired	4,402
	4,402

(B) Acquisition of 50% of 88 Brandl Street

On 1 May 2014 the Group acquired the remaining 50% of property at 88 Brandl Street. Prior to this acquisition, the Group owned 50% of the property through a joint venture agreement with an external party. Prior to the acquisition of the remaining 50%, the Group accounted for its investment using the equity method of accounting.

The primary reason for acquisition of the remaining 50% was to gain control of 100% of the property, in line with the strategy of the Group.

In the period from date of acquisition to 30 June 2014, 88 Brandl Street contributed $116,000 revenue and $95,000 profit to the Group's results. If the acquisition had occurred on 1 July 2013, management estimates that consolidated revenue would have been $33,981,000 and consolidated profit for the year would have been $32,482,000.

The fair value of the consideration transferred for the acquisition of the remaining 50% of 88 Brandl Street is $2,497,206. The entire consideration comprised of cash only.

Notes to the Consolidated Financial Statements (Continued)

10. Business combinations (Continued)

The assets acquired and liabilities assumed at the date of acquisition are as detailed below:

	88 Brandl Street $'000
Current assets	
Cash and cash equivalents	**71**
Trade and other receivables	**33**
Non-current assets	
Investment property	**7,000**
Current Liabilities	
Trade and other payables	**(187)**
Borrowings	**(4,550)**
Net assets	**2,367**

The fair value of the receivables acquired (which principally comprise trade receivables) in these transactions equates to their carrying value. At the acquisition date it has been estimated that all contractual cash flows from trade receivables are collectable.

Goodwill
Goodwill arising from the acquisition has been recognised as follows:

	$'000
Consideration transferred	**2,498**
Share of fair value of identifiable net assets	**(2,367)**
Goodwill	**131**

The goodwill arose as a result of the capitalisation of acquisition costs at the date of acquisition. This has resulted in an excess of the consideration transferred over the group's share of the fair value of the identifiable net assets.

Management has performed an assessment of the carrying value of the goodwill at 30 June 2014. The entire goodwill has been allocated to 88 Brandl Street property as the lowest level cash-generating unit to which the goodwill could be allocated. The carrying amount of the goodwill as at the date of assessment was $131,000. Management's assessment of the goodwill has resulted in the entire amount being fully impaired in the current financial year.

	$'000
Net cash outflow on acquisition of subsidiaries	
Consideration paid in cash	**(2,498)**
Cash and cash equivalents acquired	**71**
	(2,427)

Notes to the Consolidated Financial Statements (Continued)

11. Investment properties

Investment properties represent the industrial, technology and business park properties held by the group for rental income.

	2014 $'000	2013 $'000
Industrial and office properties (b)	**399,350**	211,950
Land held for future development (c)	**4,621**	-
Total	**403,971**	211,950

(a) Reconciliation of carrying amount

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

	2014 $'000	2013 $'000
Carrying amount at beginning of the year	**211,950**	201,450
Additions at cost: property under development	**8,937**	3,598
Additions at cost: industrial and office properties	**98**	-
Acquisitions through business combinations	**164,522**	-
Movement in deferred lease incentives	**398**	-
Net gains from fair value adjustments [1]	**18,066**	6,902
Carrying amount at end of the year	**403,971**	211,950

[1] The gain in fair value of investment properties 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.

(b) Industrial and office properties

	Ownership interest	Fair value 30 June 2014 $'000	Fair value 30 June 2013 $'000	Latest independent valuation date	Valuer
34 Australis Drive, VIC	100%	**21,650**	20,100	30 June 2014	Savills
80-96 South Park Drive, VIC	100%	**18,200**	17,800	30 Sept 2013	Savills
89 West Park Drive, VIC	100%	**15,750**	14,650	30 June 2014	Savills
32-40 Garden Street, VIC	100%	**13,800**	13,200	30 Sept 2013	Savills
5 Butler Blvd, SA	100%	**12,800**	12,000	30 Sept 2013	Savills
140 Sharps Road, VIC	100%	**12,700**	12,200	30 Sept 2013	Savills
7 Clunies Ross and 17-19 McKechnie Drive, QLD*	100%	**34,000**	-	31 March 2014	Colliers
6 Electronics Street, QLD*	100%	**6,400**	-	30 Sept 2013	Colliers
12 Electronics Street, QLD*	100%	**10,500**	-	30 Sept 2013	Colliers
24-26 Hi-tech Court, QLD*	100%	**1,200**	-	30 Sept 2013	Colliers
8 Clunies Ross and 9 McKechnie Drive, QLD*	100%	**24,600**	-	30 Sept 2013	Colliers
7 Brandl St, QLD*	100%	**22,400**	-	30 Sept 2013	Colliers
37 Brandl St, QLD*	100%	**13,500**	-	30 June 2014	Colliers
18 Brandl St, QLD*	100%	**11,500**	-	30 Sept 2013	Colliers
53 Brandl St, QLD*	100%	**9,200**	-	30 Sept 2013	Colliers
88 Brandl St, QLD*	100%	**14,000**	-	30 June 2014	Colliers
85 Brandl St, QLD*	100%	**5,000**	-	30 Sept 2013	Colliers
Building A, 1 Homebush Bay Drive, NSW	100%	**81,000**	74,000	30 June 2014	Savills
Building C, 1 Homebush Bay Drive, NSW	100%	**51,750**	48,000	30 Sept 2013	Savills
51A McKechnie Drive, QLD*	100%	**14,400**	-	30 Sept 2013	Colliers
BTP Central Car Park, QLD*	100%	**5,000**	-	30 Sept 2013	Colliers
Total consolidated entity		**399,350**	211,950		

Notes to the Consolidated Financial Statements (Continued)

11. Investment properties (Continued)

(b) Industrial and office properties (continued)

* Properties were not held in Industria Trust No.1 group as at 30 June 2013.

Note: the fair value of assets which have not been independently valued at 30 June 2014 have been determined based on Directors' valuations.

(c) Land held for future development

	Ownership interest	Fair value 30 June 2014 $'000	Fair value 30 June 2013 $'000	Latest independent valuation date	Valuer
Brandl Street Land (Lot 3)*	100%	**995**	-	30 Sept 2013	Colliers
Brandl Street Land (Lot 6)*	100%	**990**	-	30 Sept 2013	Colliers
45 and 45B McKechnie Drive, QLD*	100%	**2,636**	-	30 Sept 2013	Colliers
Total		**4,621**	-		

* Property was not held in Industria Trust No.1 group as at 30 June 2013

(d) Fair value measurement, valuation techniques and inputs

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

Fair Value Hierarchy	Fair value 30 June 2014 $'000	Valuation Technique	Inputs used to measure fair value	Range of unobservable inputs
Level 3	399,350	DCF and income capitalisation method	Net passing rent (per sqm p.a.)	$68 - $420
			Net market rent (per sqm p.a.)	$72- $405
			10 year average market rental growth	2.91% - 3.57%
			Adopted capitalisation rate	7.5% - 10.0%
			Adopted terminal yield	7.75% - 10.5%
			Adopted discount rate	9% - 10.25%
Level 3	4,621	Direct comparison method	Sales price per sqm	$425 - $475

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

Notes to the Consolidated Financial Statements (Continued)

11. Investment properties (Continued)

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

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

Notes to the Consolidated Financial Statements (Continued)

11. Investment properties (Continued)

(e) Valuation process

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

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

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

(f) Sensitivity information

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

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

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

When assessing a discounted cash flow, the adopted discount rate and adopted terminal yield have a strong interrelationship in deriving at 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.

(g) Highest and best use

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

Notes to the Consolidated Financial Statements (Continued)

11. Investment properties (Continued)

(h) Leasing arrangements

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

	2014 $'000	2013 $'000
Within one year	**42,363**	19,426
More than one year but not more than five years	**104,104**	77,505
More than five years	**31,768**	74,567
Total	**178,235**	171,498

(i) Properties pledged as security

At 30 June 2014 and 30 June 2013 the Group's debt facility is secured by first ranking mortgages over all of the investment properties held by the Group.

At 30 June 2014 the carrying amount of the investment properties pledged as collateral was $403,970,650 (30 June 2013 $211,950,000). 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

(j) Amounts recognised in profit and loss for investment properties

	2014 $'000	2013 $'000
Rental income	**33,325**	22,391
Direct operating expenses	**(9,104)**	(4,451)
Net gains from fair value adjustments	**18,066**	6,902
Net amount recognised in profit and loss for investment properties	**42,287**	24,842

12. Payables

	2014 $'000	2013 $'000
Current		
Trade payables	**(80)**	-
Accruals and other creditors	**(7,023)**	(3,529)
GST payable	**(95)**	(98)
Amounts owing to related entity (i)	**-**	(210)
Income tax payable	**(278)**	-
	(7,476)	(3,837)
Non-current		
Rental bond received from tenants	**(176)**	(175)
	(176)	(175)

Notes to the Consolidated Financial Statements (Continued)

12. Payables (continued)

(i) Amounts owing to related parties in the prior year relate to management fees owed by the previous stapled group, AWPT6 and AWPT6A, to Australand Holdings Limited - the ultimate parent of the previous responsible entity.

13. Borrowings

	2014 $'000	2013 $'000
Non-current		
Bank loans – secured	**136,443**	68,986
	136,443	68,986
Financing arrangements		
The Group has access to the following lines of credit:		
Loan facility limit	**155,000**	75,000
Facilities drawn at balance date	**137,500**	68,986
Facilities not drawn at balance date	**17,500**	6,014

At 30 June 2014 the Group had available liquidity of $17,500,000 (30 June 2013: $6,014,000).

Summary of borrowing arrangements

The Group has a revolving credit facility with an external finance company with remaining maturity periods not exceeding 5 years. The weighted average effective interest rate on the loans is 3.65%. The Group has entered into interest rate swap contracts exchanging fixed rate interest for variable rate interest. The movement in the fair value of the interest rate swaps has been recognised in the consolidated statement of profit or loss and other comprehensive income in the current year as hedge accounting has not been applied.

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

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

Included in the carrying value of borrowings are capitalised borrowing costs of $1,057,000.

Notes to the Consolidated Financial Statements (Continued)

14. Provisions

	2014 $'000	2013 $'000
Current		
Provision for future tenant rebate *	**385**	-
Movements in provisions:		
At beginning of the year	**-**	-
Arising from business combination	**385**	-
At end of the year	**385**	-

*Provision for future tenant rebate is an incentive for a current tenant to remain with Industria Company No. 1 Ltd.

15. 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 risk.

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-ordinate access to domestic financial markets, and manages the financial risks relating to the operations of the Group in accordance with an investment mandate set out in accordance with the Group's constitution and product disclosure statement. The Responsible Entity has determined that the appointment of these managers is appropriate for the Group and is in accordance with the Group's investment strategy.

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

15. Financial instruments (Continued)

(b) Significant accounting policies

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

(c) Capital risk management

The Responsible Entity's objective when managing capital is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for unitholders and to maintain an optimal capital structure to reduce the cost of capital.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by the fair value of the investment properties (2013: net debt divided by total assets).

The gearing ratio is required to be in the range of 30% to 40%. During the 2014 financial year and at 30 June 2014 the stapled group is in compliance with these gearing ratios.

	Notes	2014 $'000
Total interest bearing debt	**13**	137,500
Less: cash and cash equivalents	**20**	(2,570)
Net debt		**134,930**
Value of property portfolio		403,971
Gearing Ratio		**33.4%**

The gearing ratio in 2013 was calculated as follows:

	Notes	2013 $'000
Total interest bearing debt	**13**	68,986
Less: cash and cash equivalents	**20**	(1,594)
Net debt		**67,392**
Total assets per consolidated statement of financial position		214,246
Less: cash and cash equivalents	**20**	(1,594)
Total assets		**212,652**
Gearing Ratio		**31.7%**

(d) Categories of financial instruments

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

	2014 $'000	2013 $'000
Consolidated		
Financial Assets		
Loans and receivables	**3,678**	702
Financial Liabilities		
Financial liabilities measured at amortised cost	**(156,020)**	(76,105)
Financial liabilities designated as at fair value through profit or loss	**(1,309)**	-

The carrying amount of interest-bearing liabilities in the Group as at 30 June 2014 is $136,443,000 (2013: $68,986,000).

Notes to the Consolidated Financial Statements (Continued)

15. Financial instruments (Continued)

(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 2014 and at 30 June 2013 is the carrying amounts of financial assets recognised in the consolidated statement of financial position of the Group. The Group holds no collateral as security and the credit quality of all financial assets that are neither past due nor impaired is consistently monitored in order to identify any potential adverse changes in the credit quality. The Group does not have any significant credit risk exposure to any single counterparty or counterparties having similar characteristics.

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

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

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

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

Notes to the Consolidated Financial Statements (Continued)

15. Financial instruments (Continued)

(f) Liquidity risk

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

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

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

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

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

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

	Within 1 year $'000	Between 1 and 2 years $'000	Over 2 years $'000	Total contractual cash flows $'000	Carrying amounts $'000
Consolidated					
2014					
Liabilities					
Accounts payable	(7,476)	-	-	(7,476)	(7,476)
Payables non-current	-	-	(196)	(196)	(176)
Distribution payable	(11,925)	-	-	(11,925)	(11,925)
Interest-bearing liabilities	(6,192)	(6,219)	(146,680)	(159,091)	(136,443)
Interest rate swaps	(619)	(490)	(200)	(1,309)	(1,309)
	(26,212)	**(6,709)**	**(147,076)**	**(179,997)**	**(157,329)**
2013					
Liabilities					
Accounts payable	(3,837)	-	-	(3,837)	(3,837)
Distribution payable	(3,107)	-	-	(3,107)	(3,107)
Interest-bearing liabilities	(2,916)	(69,317)	-	(72,233)	(68,986)
Payables non-current	-	-	(175)	(175)	(175)
	(9,860)	**(69,317)**	**(175)**	**(79,352)**	**(76,105)**

Notes to the Consolidated Financial Statements (Continued)

15. Financial instruments (Continued)

(g) Derivatives – interest rate swap contracts

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

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

Type of contract	Expiration	Underlying	Notional amount of contracts outstanding	Fair value assets	Fair value (liabilities)
			$	$'000	$'000
As at 30 June 2014					
ANZ					
Interest rate swap	January 2016	Interest rates	20,000,000	-	(99)
Interest rate swap	January 2017	Interest rates	15,000,000	-	(196)
Interest rate swap	February 2018	Interest rates	10,000,000	-	(183)
Interest rate swap	February 2019	Interest rates	5,000,000	-	(139)
Interest rate swap	June 2019	Interest rates	5,000,000	-	(37)
NAB					
Interest rate swap	January 2016	Interest rates	20,000,000	-	(100)
Interest rate swap	January 2017	Interest rates	15,000,000	-	(196)
Interest rate swap	February 2018	Interest rates	10,000,000	-	(183)
Interest rate swap	February 2019	Interest rates	5,000,000	-	(139)
Interest rate swap	June 2019	Interest rates	5,000,000	-	(37)
				-	**(1,309)**

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

	2014 $'000	2013 $'000
Current liabilities		
Interest rate swap contracts	**619**	-
Non-current liabilities		
Interest rate swap contracts	**690**	-

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

Notes to the Consolidated Financial Statements (Continued)

15. Financial instruments (Continued)

(h) Market risk

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

Interest rate risk

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

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

Assets: Cash and cash equivalents at fair values of $2,570,000 (2013: $1,594,000) with a weighted average interest rate of 2.90% (2013: 1.566%).

Liabilities: Interest-bearing liabilities at amortised cost of $136,443,000 (2013: $68,986,000) with a weighted average interest rate of 3.65% (2013: 4.23%).

Interest rate sensitivity

The sensitivity analyses below have 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 2014		
Variable rate instruments	(284)	284
Derivative financial instruments	2,755	(2,843)
	2,471	**(2,559)**
30 June 2013		
Variable rate instruments	(676)	676
Derivative financial instruments	-	-
	(676)	**676**

Notes to the Consolidated Financial Statements (Continued)

15. Financial instruments (Continued)

(i) Fair value of financial instruments

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

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instruments that are measured at fair value at 30 June 2014, 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 2014			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	(1,309)	-	(1,309)
Total	**-**	**(1,309)**	**-**	**(1,309)**

	Fair value measurement as at 30 June 2013			
Consolidated	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial liabilities at FVTPL				
Interest rate swaps	-	-	-	-
Total	**-**	**-**	**-**	**-**

There were no transfers between Levels during the year.

The interest rate swaps have been valued using discounted cash flow approach. Future cash flows are estimated based on forward exchange rates (from observable forward exchange 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)

16. Controlled entities

	Country of incorporation	Percentage owned (%) 2014	2013
Parent entity			
Industria Trust No. 1	Australia		
Controlled entities of Industria Trust No. 1			
South Park Investment Trust	Australia	100	100
West Park Investment Trust	Australia	100	100
Tullamarine Investment Trust	Australia	100	100
Kilsyth Investment Trust	Australia	100	100
West Park Investment Trust No. 2	Australia	100	100
Burbridge Investment Trust	Australia	100	100
Rhodes Investment Trust	Australia	100	100
Industria Trust No. 2 (formerly Australand Wholesale Property Trust No.6A)	Australia	-	-
Industria Trust No. 3 (formerly APN Wholesale Direct Property Pool)	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 (formerly BTP Central Trust)	Australia	-	-
Industria Company No. 1 Ltd (formerly APN DF1 Developments (Qld) Pty Ltd)	Australia	-	-
APN DF1 SPV1 (Qld) Pty Ltd	Australia	-	-
APN DF1 SPV2 (Qld) Pty Ltd	Australia	-	-
APN DF1 SPV3 (Qld) Pty Ltd	Australia	-	-
McKechnie Drive Pty Ltd	Australia	-	-
BTP Central Pty Ltd	Australia	-	-

Industria Trust No. 2, Industria Trust No. 3 (and its controlled entities), Industria Trust No. 4 and Industria Company No. 1 Ltd (and its controlled entities) were acquired through a stapling arrangement, and thus no ownership has been obtained.

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

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

Name of subsidiary	Place of incorporation and principal place of business	Proportion of ownership interests and voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2014 %	2013 %	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Industria Trust No.2	Australia	0	0	3,600	3,051	19,836	14,596
Industria Trust No.3	Australia	0	0	4,501	-	18,291	-
Industria Trust No.4	Australia	0	0	(2,805)	-	9,974	-
Industria Company No.1 Ltd	Australia	0	0	1,859	-	37,149	-
						85,250	14,596

Notes to the Consolidated Financial Statements (Continued)

17. Contributed equity

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

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

On 5 December 2013 Industria Trust No. 1 entered into a stapling arrangement with the entities listed above. The stapling arrangement resulted in the listing of Industria REIT on the ASX. From this date, securities of the Trust and the other Industria REIT entities are traded together as one stapled security. Each securityholder of Industria REIT has the same proportionate interest in each stapled entity.

In order to effect the stapling a number of steps were undertaken. These steps occurred simultaneously on the effective date of the stapling and had the following impact on the number of securities in issue for the Trust during the year.

	Units issued/converted	Cumulative units	2014 $'000
Reconciliation of units in issue – 2014			
Units at the beginning of the reporting period	-	155,000,100	-
Convert number of units [1]	18,491,981	173,492,081	-
Issue units to unitholders of other Industria REIT entities [2]	55,061,760	228,553,841	-
Convert total number of units in issue in Industria REIT [3]	(128,184,647)	100,369,194	-
Total units on issue from stapling transaction		100,369,194	-
Additional equity raised via issuance of units [4]	24,630,807	125,000,001	41,142
Units at the end of the reporting period		**125,000,001**	**-**

[1] Units are converted to a pre-determined amount based on the Merger Implementation Deed.
[2] Units in the Trust are issued to the unitholders of the other Industria REIT entities. Unitholders of the Trust obtain units/shares in these entities in return.
[3] Total number of units in issue is converted to 100,369,194, as per the Merger Implementation Deed.
[4] Additional equity raised to repay debt of Industria REIT entities and fund working capital. $49,261,614 raised at $2 per stapled security.

	2013
Reconciliation of units in issue – 2013	
Units in issue at beginning and end of financial year	155,000,100

Notes to the Consolidated Financial Statements (Continued)

17. Contributed equity (Continued)

		2014 $'000	2013 $'000
Equity			
Capital and reserves attributable to unitholders:			
Unitholders of Industria Trust No. 1			
Contributed equity	**(c)**	**167,659**	137,999
Reserves	**(a)**	**-**	-
Accumulated losses	**(b)**	**(2,785)**	(14,454)
Parent interest		**164,874**	123,545
Unitholders of non-controlling interests			
Contributed equity	**(c)**	**56,960**	15,380
Reserves	**(a)**	**-**	-
Retained earnings / (accumulated losses)	**(b)**	**28,290**	(784)
Non-controlling interests		**85,250**	14,596
Total unitholders interest		**250,124**	138,141
(a) Reserves			
Hedging reserve		**-**	(633)
Total reserves – unitholders		**-**	(633)
Movements in above unitholders' reserves comprise:			
Hedging reserve			
Balance at beginning of financial year		**-**	(633)
Gain on fair value of cash flow hedge		**-**	633
Balance at end of financial year		**-**	-

The hedging reserve was used to record gains or losses on hedging instruments in a cash flow hedge that are recognised in other comprehensive income and equity. The interest rate swap previously designated as a hedging instrument matured on 31 October 2012. The current interest rates have not been designated as hedging instruments and the fair value adjustment for these instruments has been recognised in the consolidated statement of profit or loss and other comprehensive income in the current year.

	2014 $'000	2013 $'000
(b) Retained earnings / (accumulated losses)		
Unitholders of Industria Trust No. 1		
Accumulated losses	**(2,785)**	(14,454)
Unitholders of Other stapled entities		
Retained earnings / (accumulated losses)	**28,290**	(784)
Total unitholders retained earnings / (accumulated losses)	**25,505**	(15,238)
Movements in above unitholders' retained earnings / (accumulated losses) comprise:		
Accumulated losses at beginning of financial year	**(15,238)**	(22,141)
Acquired through business combination	**25,357**	-
Net profit attributable to the unitholders	**30,773**	18,628
Distributions	**(15,387)**	(11,725)
Retained earnings / (accumulated losses) at end of financial year	**25,505**	(15,238)

Notes to the Consolidated Financial Statements (Continued)

17. Contributed equity (Continued)

(c) Contributed equity	**2014 $'000**	**2013 $'000**
125,000,001 units, fully paid less issue costs (2013: 155,000,200 units)	**224,619**	153,379
Movements in equity		
At beginning of the year	**153,379**	153,379
Acquired through business combinations	**30,098**	-
Issued during the year [1]	**41,142**	-
On issue at year end	**224,619**	153,379
Balance at the end of the year is attributable to		
Equity holders of Industria Trust No. 1	**167,659**	137,999
Equity holders of non-controlling interests	**56,960**	15,380
Total contributed equity	**224,619**	153,379

[1]Costs of $8,120,000 (2013:$1,621,000) directly attributable to the issue of units were debited to equity, in accordance with the Group's accounting policy.

18. Non-controlling interests

	2014 $'000	**2013 $'000**
Interest in contributed equity	**56,960**	15,380
Interest in retained earnings / (accumulated losses)	**28,290**	(784)
	85,250	14,596

Non-controlling interests in controlled entities represents Industria Trust No. 2, Industria Trust No. 3, Industria Trust No. 4 and Industria Company No. 1 Ltd (2013: Industria Trust No. 2, previously Australand Wholesale Property Trust No. 6A).

Movements in above non-controlling interests equity comprises:

	2014 $'000	**2013 $'000**
Balance at beginning of financial year	**14,596**	13,408
Non-controlling interests acquired in business combinations	**55,456**	-
Issued during the year	**11,481**	-
Net profit attributable to the unitholders	**7,155**	3,051
Distributions	**(3,438)**	(1,863)
Balance at end of financial year	**85,250**	14,596

Notes to the Consolidated Financial Statements (Continued)

19. Related parties

(a) Key Management Personnel

Directors

The Group does not employ personnel in its own right. However, it is required to have a Responsible Entity to manage the activities of the Trust and its controlled entities. As the Group does not employ personnel in its own right there is 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.

An amount of $45,000 has been paid to the previous Directors of Australand Funds Management Limited (the previous Responsible Entity) for their role as Directors. The table below shows the breakdown of director fees paid during the current and previous financial years.

	2014 $000	2013 $000
Short term employee benefits		
Salary and fees	**33**	105
Long term employee benefits		
Superannuation	**12**	19
	45	124

(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 year $1,266,000 has been incurred in management fees payable to APN FM.

At the reporting date, $557,000 remains payable to the Responsible entity relating to the above management fees.

In the prior year, and up to date of change of Responsible Entity in the current year, Australand Funds Management Limited (‘AFML’) was also entitled to a Base Management Fee of up to 0.4% per annum of the gross asset value of the Trust. The amount paid to AFML for the previous financial year was $821,000. As at 30 June 2013, $211,000 was owing to AFML.

APN FM, in its personal capacity, contributed $1,700,000 towards the initial establishment costs of Industria REIT stapled group. This amount has been recorded as other income in these financial statements.

Notes to the Consolidated Financial Statements (Continued)

19. Related parties (Continued)

(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 units held by entities within APN Property Group Limited as at 30 June 2014.

	2014	2013
Number of units held by APN Property Group Limited	**6,250,000**	-
Number of units held by APN AREIT Fund	**2,950,766**	-
Number of units held by APN Property for Income Fund	**1,185,000**	-
Number of units held by APN Property for Income Fund 2	**510,000**	-
Number of units held by APN Unlisted Property Fund	**4,796,065**	-
Total units held by APN entities	**15,691,831**	-

12.6% of the stapled units of the Industria REIT group are held by related APN entities.

(d) Related party payables

In the previous financial year the Group had a related party payable balance to the parent of the previous Responsible Entity, Australand Holdings Limited. The balance payable for management fees as at 30 June 2013 was $211,000. This balance was settled prior to the stapling transaction.

20. Cash flow information

Reconciliation of cash

For the purpose of the consolidated statement of cash flows, cash 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:

	2014 $'000	2013 $'000
Cash and cash equivalents	**2,570**	1,594
Reconciliation of profit after income tax to net cash inflow from operating activities		
Net profit for the year	**30,773**	18,628
Non-cash items:		
Straight line lease revenue recognition	**(1,401)**	-
Share of profit of joint venture	**(176)**	-
Amortisation of borrowing costs	**160**	-
Movement in deferred lease incentives	**(398)**	-
Goodwill impairment	**131**	-
Fair value loss on derivative financial instruments	**1,309**	-
Net gains from fair value adjustments on investment properties	**(18,066)**	(6,902)
	12,332	11,726
Changes in assets/liabilities during the financial year:		
Decrease / (increase) in trade and other receivables	**4,283**	(182)
Decrease in payables	**(14,885)**	(831)
Increase in deferred tax	**350**	-
Net cash inflows provided by operating activities	**2,080**	10,713

Notes to the Consolidated Financial Statements (Continued)

21. Parent entity financial information

Summary financial information

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

	2014 $'000	2013 $'000
Statement of financial position		
Current assets	11,781	4,690
Total assets	**213,192**	**210,393**
Current liabilities	(11,852)	(4,914)
Total liabilities	**(48,318)**	**(74,039)**
Unitholders' equity		
Issued Capital	167,659	137,999
Accumulated losses	(2,785)	(1,645)
Total unitholders equity	**164,874**	**136,354**
Profit for the year	23,618	11,875
Other comprehensive income	-	633
Total comprehensive income	**23,618**	**23,296**

At 30 June 2014 the parent entity had provided $nil guarantees (2013: $nil), has $nil contingent liabilities (2013: $nil) and $nil contractual commitments (2013: $nil).

22. Earnings per unit

	2014	2013
Profit attributable to unitholders ($'000)	**23,618**	15,577
Weighted average number of units outstanding (thousands)	**114,737**	100,369
Basic and diluted earnings per unit (cents)	**20.58**	15.52

23. 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.

24. Commitments

The Group has commitments of $nil at 30 June 2014 (2013: $nil).

25. Contingent Liabilities and Contingent Assets

The Group has contingent liabilities and assets of $nil at 30 June 2014 (2013: $nil).

26. Events occurring after the reporting period

There have been no significant events or transactions that have arisen since 30 June 2014 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.

Notes to the Consolidated Financial Statements (Continued)

27. Additional information

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

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

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

Directors' Declaration

For the year ended 30 June 2014

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 Trust will be able to pay its debts as and when they become due and payable;

(b) In the Director's opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 (a) to the financial statements;

(c) 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; 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, 25 August 2014

Deloitte.

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Independent Auditor's Report to the Unitholders of Industria Trust No. 1

We have audited the accompanying financial report of Industria Trust No. 1 , which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit and loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the trust and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 10 to 59.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Industria Trust No. 1, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

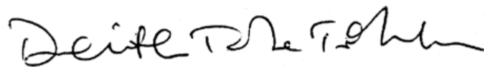
In our opinion:

(a) the financial report of Industria Trust No. 1 is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.



DELOITTE TOUCHE TOHMATSU

Peter A. Caldwell
Partner
Chartered Accountants
Melbourne, 25 August 2014