Industria Company No. 1 Limited
Annual Report
30 June 2022

ABN: 61 010 794 957

Contents

Industria Company No. 1 Limited (the "Company") and its controlled entities (the "Group") is one of five entities that together comprise the Dexus Industria REIT (DXI) (previously known as APN Industria REIT) stapled entity which is listed on the Australian Securities Exchange under the "DXI" code. Dexus Asset Management Limited (DXAM, previously known as APN Funds Management Limited) is the Manager of the Company.

The registered office of the Company is Level 25, Australia Square, 264-278 George Street, Sydney, NSW 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne, VIC 3000.

Directors' Report

The Directors of Industria Company No.1 Limited (the Company or IC1) and its controlled entities (the Group) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2022.

Dexus Asset Management Limited (DXAM) is the appointed Manager of Industria Company No. 1 Limited which is one of the five entities that comprise Dexus Industria REIT. DXAM is the Responsible Entity for the other four trusts which along with Industria Company No. 1 Limited comprise the DXI Industria REIT.

Directors and Secretaries

Directors

The following persons were Directors of the Company, a stapled entity of DXI and DXAM, at all times during the year and to the date of this Directors' Report, unless otherwise stated:

Directors	Appointed
Geoff Brunsdon AM, B.Com, CA, F Fin, FAICD[1]	19 October 2009
Howard Brenchley, BEc	16 March 1998
Deborah Coakley, BBus, GAICD[2]	19 August 2021
Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD[3]	30 April 2012
Michael Johnstone, BTRP, LS, AMP (Harvard)	25 November 2009
Emily Smith, BCom, GAICD[4]	19 April 2022
Joseph De Rango, BCom, BBIS (IBL), MAICD[5] – Alternate Director for Howard Brenchley[6]	2 September 2019
Brett D Cameron, LLB/BA, GAICD, FGIA - Alternate Director for Deborah Coakley[7]	1 March 2022

1. Mr Brunsdon resigned from the Board effective 28 February 2022.
2. Ms Coakley was appointed as Executive Director on 19 August 2021.
3. Ms Horrigan was appointed as the Chair of the Board effective 1 March 2022.
4. Ms Smith was appointed as a Non-Executive Director on 19 April 2022.
5. Mr De Rango resigned as an Executive Director of IC1 effective 1 March 2022.
6. Mr De Rango resigned as Alternate Director for Mr Brenchley effective 1 March 2022.
7. Mr Cameron was appointed as Alternate Director for Ms Coakley effective 1 March 2022.

Company Secretaries

The names and details of the Company Secretaries of the Company as at 30 June 2022 are as follows:

Chantal Churchill, BSc (Psych), DipHRM, GIA(Cert)

Appointed: December 2016

Chantal is the Company Secretary and Senior Manager, Governance at Dexus.

Chantal has over 17 years' professional experience in company administration, corporate governance, risk and compliance having been involved with several listed and unlisted public companies. Prior to joining DXAM in 2015, Chantal held various risk and compliance roles predominately in financial services and funds management including seven years at Arena Investment Management.

Chantal is a member of the Governance Institute of Australia.

Brett D Cameron LLB/BA (Science and Technology), GAICD, FGIA

Appointed: September 2021

Brett is the General Counsel and a Company Secretary of Dexus companies and is responsible for the legal function, company secretarial services and compliance and governance systems and practices across the Dexus Group.

Prior to joining Dexus, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 24 years' experience as in-house counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

Brett graduated from The University of New South Wales and holds a Bachelor of Laws and a Bachelor of Arts (Science and Technology) and is a member of the Law Societies of New South Wales and Hong Kong. Brett is also a graduate of the Australian Institute of Company Directors and a Fellow of the Governance Institute of Australia.

Attendance of Directors at Board Meetings and Board Committee Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 15 times during the year. IC1 is assisted by the Dexus Board Nomination Committee and the Dexus Board People and Remuneration Committee, meeting details are provided in the Directors Report in the Dexus 2022 Annual Report.

	IC1 Board		Audit, Risk and Compliance Committee	
	Held	**Attended**	**Held**	**Attended**
Geoff Brunsdon	11	11	5	4
Howard Brenchley	15	14	N/A	N/A
Deborah Coakley	12	10	N/A	N/A
Jennifer Horrigan	15	15	6	6
Michael Johnstone	15	15	6	6
Emily Smith	2	2	1	1
Joseph De Rango	-	-	N/A	N/A
Brett D Cameron	1	1	N/A	N/A

Directors' relevant interests

The relevant interests of each Director in DXI stapled securities as at the date of this Directors' Report are shown below:

Directors	**No. of securities**
Howard Brenchley	-
Deborah Coakley	-
Jennifer Horrigan	-
Michael Johnstone	-
Emily Smith	-
Brett D Cameron	-

Operating and financial review

The results of the operations of the Group are disclosed in the Consolidated Statement of Comprehensive Income. The Group's net profit after tax for the financial year ended 30 June 2022 was $15,732,000 (2021: $4,786,000).

The Company and its controlled entities form part of DXI. Information on the operations and financial position of DXI and its business strategies and prospects, of which the Company and its controlled entities forms part thereof, is set out on pages 21 to 28 of the Dexus Industria REIT Annual Report and forms part of this Directors' Report.

Remuneration report

No remuneration or director fees are paid out of the assets of IC1. Further, there are no employees of IC1. The Independent Directors receive director fees from the Dexus Group an entity listed on the ASX under code "DXS". Ms Deborah Coakley (and Mr Brett Cameron as Ms Coakley's Alternate) receives remuneration as an employee of Dexus Group (please refer to the Remuneration Report which forms part of the 2022 Dexus Annual Report available at www.dexus.com). There are no other key management personnel for IC1. The remuneration for the Directors is set out below:

Directors	
Howard Brenchley	Nil paid by IC1
Deborah Coakley	Nil paid by IC1
Jennifer Horrigan	Nil paid by IC1
Michael Johnstone	Nil paid by IC1
Emily Smith	Nil paid by IC1
Brett D Cameron (Alternate Director)	Nil paid by IC1

This report has been prepared and audited in accordance with section 308(3C) of the *Corporations Act 2001*.

Directors' directorships in other listed entities

The following table sets out directorships of other ASX listed entities (unless otherwise stated), not including DXAM and Industria Company No.1 Limited, held by the Directors at any time in the three years immediately prior to the end of the year, and the period for which each directorship was held.

Director	Company	Date Appointed
Geoff Brunsdon	Sims Limited	20 November 2009
Howard Brenchley	National Storage Holdings Ltd	21 November 2014
	National Storage Financial Services Limited	8 September 2015
Deborah Coakley	-	-
Jennifer Horrigan	QV Equities Limited	26 April 2016
	A2B	11 September 2020
Michael Johnstone	Charter Hall Social Infrastructure Trust	22 December 2004
Emily Smith	-	-
Joseph De Rango	-	-
Brett D Cameron	-	-

Principal activities

During the year, the principal activities of the Group was to own, manage and develop high quality industrial warehouses and business parks, and to invest in the operations of Jandakot airport and related infrastructure. The Group did not have any employees during the year.

Total value of assets

The total value of the assets of the Group as at 30 June 2022 was $176,141,000 (2021: $119,070,000). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Likely developments and expected results of operations

In the opinion of the Directors, disclosure of any further information regarding business strategies and future developments or results of the Group, other than the information already outlined in this Directors' Report or the Consolidated Financial Statements accompanying this Directors' Report would be unreasonably prejudicial to the Group.

Significant changes in the state of affairs

During the financial year, the Group had the following significant changes in its state of affairs:

1. On 13 August 2021, Dexus PG Limited (DXPG, previously APN Property Group Limited or APN), the ultimate and immediate parent entity of DXAM was acquired by Dexus Nominee Pty Limited (an entity controlled by Dexus, listed on the ASX under code "DXS"). Accordingly, DXPG and its controlled entities are now wholly owned subsidiaries of Dexus. APN Industria REIT was rebranded to Dexus Industria REIT and the ticker changed to "DXI" effective 1 December 2021.

2. On 1 November 2021, Dexus Holdings Pty Limited acquired 100% of Jandakot City Holdings Pty Limited (JCH) and 49% of Jandakot Airport Holdings Pty Limited (JAH) through the newly established Jandakot City Holdings Trust (JCHT) and Jandakot Airport Holdings Trust (JAHT). On 19 November 2021, shortly after initial settlement, DXI acquired a 33.3% interest in JCHT (interest held by Industria Trust No. 4) and a 68% interest in JAHT (interest held by Industria Company No. 1 Limited).

   On 1 April 2022, Dexus Projects Pty Limited settled on the remaining 51% interest of JAH through the establishment of Jandakot Airport Domestic Trust (JADT), with Cbus Super acquiring a 33.3% interest in each of JCH and JAH by acquiring a 33.3% interest in JCHT and a 65.3% interest in JADT. The joint venture which owns 100% of Jandakot airport, Perth, is held in the following proportions: Dexus 33.4%, DXI 33.3% and Cbus Super 33.3%. The existing structure included senior asset-level debt of $405,000,000, reflecting a combined equity commitment of $895,000,000 excluding acquisition costs.

Significant changes in the state of affairs (continued)

3. To assist in funding acquisitions, DXI successfully completed an equity raising in October 2021 for approximately $350,000,000 at a fixed issue price of $3.45 per security, comprising:
    - $100,000,000 via an institutional placement
    - $144,000,000 via an institutional entitlement offer
    - $106,000,000 via a retail entitlement offer.

Matters subsequent to the end of the financial year

Since the end of the year, the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial periods.

Distributions

No distributions were declared by the Group during the year ended 30 June 2022 (2021: nil).

Shares on Issue

The movement in shares on issue in the Group during the year and the number of shares on issue as at 30 June 2022 are detailed in note 11 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The number of interests in the Group held by DXAM or its associates as at the end of the financial year is 60,636,319 shares (2021: 36,225,364 shares).

The Group did not have any options on issue as at 30 June 2022 (2021: nil).

Environmental regulation

The Audit, Risk and Compliance Committee oversees the policies, procedures and systems that have been implemented to ensure the adequacy of its environmental risk management practices. It is the opinion of this Committee that adequate systems are in place for the management of its environmental responsibilities and compliance with its various licence requirements and regulations. Further, the Committee is not aware of any material breaches of these requirements.

The Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (NGER Act). The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use. The group has implemented systems and processes for the collection and calculation of the data required and submitted its 2021 report to the Greenhouse and Energy Data Officer on 31 October 2021 and will submit its 2022 report by 31 October 2022. During the 12 month period ending 30 June 2022, the Group complied with all the relevant requirements as set out by the NGER Act.

Information regarding the Group's participation in the NGER program is available at:
www.dexus.com/investor-centre/results-and-reporting/sustainability-reports

Indemnification and insurance

The insurance premium for a policy of insurance indemnifying Directors, Officers and others (as defined in the relevant policy of insurance) is paid by DXAM's immediate parent entity, Dexus Holdings Pty Limited (DXH).

Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending civil or criminal proceedings that may be brought against Directors and Officers in their capacity as Directors and Officers of the Company and DXAM, its subsidiaries or such other entities, and other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings.

PricewaterhouseCoopers (PwC or the Auditor), is indemnified out of the assets of the Group pursuant to the Dexus Specific Terms of Business agreed for all engagements with PwC, to the extent that the Group inappropriately uses or discloses a report prepared by PwC. The Auditor is not indemnified for the provision of services where such an indemnification is prohibited by the *Corporations Act 2001*.

Audit

Auditor

Effective from 23 November 2021, PricewaterhouseCoopers have been appointed as the Auditor of DXI and Industria Company No. 1 Limited in accordance with section 327 of the *Corporations Act 2001*. This appointment follows the resignation of Deloitte Touche Tohmatsu and ASIC's consent to the same.

The Group has changed the auditor to align with the wider Dexus platform.

Non-audit services

The Group may decide to employ the Auditor on assignments, in addition to its statutory audit duties, where the Auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 14 of the Notes to the Consolidated Financial Statements.

The Audit, Risk and Compliance Committee is satisfied that the provision of non-audit services provided during the year by the Auditor (or by another person or firm on the Auditor's behalf) is compatible with the standard of independence for auditors imposed by the *Corporations Act 2001*.

The reasons for the Directors being satisfied are:

- All non-audit services have been reviewed by the Audit, Risk and Compliance Committee to ensure that they do not impact the impartiality and objectivity of the Auditor
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*

The above Directors' statements are in accordance with the advice received from the Audit, Risk and Compliance Committee.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 7 and forms part of this Directors' Report.

Corporate governance

The Company adopts the Corporate Governance Statement of DXAM the Manager of DXI Stapled Group. DXAM's Corporate Governance Statement is available at:
https://www.dexus.com/investor-centre/listed-funds/dexus-industria-reit/corporate-governance

Rounding of amounts and currency

As the Group is an entity of the kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, the Directors have chosen to round amounts in this Directors' Report and the accompanying Financial Report to the nearest thousand dollars, unless otherwise indicated. All figures in this Directors' Report and the Consolidated Financial Statements, except where otherwise stated, are expressed in Australian dollars.

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 7 September 2022.

Jennifer Horrigan

Chair

7 September 2022

Auditor's Independence Declaration

As lead auditor for the audit of Industria Company No. 1 Limited for the year ended 30 June 2022, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Industria Company No. 1 Limited and the entities it controlled during the period.

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
7 September 2022

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	2022 $'000	2021 Restated[1] $'000
Revenue from ordinary activities			
Property revenue	2	**9,058**	7,593
Straight line rental recognition		**(19)**	259
Total revenue from ordinary activities		**9,039**	7,852
Other income			
Net fair value gain of investment properties	6	**8,115**	3,969
Share of net profit of investments accounted for using the equity method	7	**7,168**	-
Net fair value gain of derivatives	8(c)	**382**	520
Total other income		**15,665**	4,489
Total income		**24,704**	12,341
Expenses			
Property expenses	2	**(3,374)**	(2,154)
Management fee expense		**(1,051)**	(1,346)
Finance costs	3	**(720)**	(1,816)
Net loss on sale of assets		**(24)**	-
Other expenses		**(179)**	(254)
Total expenses		**(5,348)**	(5,570)
Profit/(loss) for the year before tax		**19,356**	6,771
Income tax expense	4(b)	**(3,624)**	(1,985)
Profit/(loss) for the year after tax		**15,732**	4,786

1. See Note 20 for details regarding the restatement as a result of a prior period error.

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2022

	Note	2022 $'000	2021 Restated[1] $'000
Current assets			
Cash and cash equivalents		**236**	689
Receivables	12(b)	**1,136**	885
Other current assets	12(c)	**781**	155
Total current assets		**2,153**	1,729
Non-current assets			
Investment properties	6	**125,125**	117,336
Investments accounted for using the equity method	7	**44,725**	-
Loans to related entities	13	**4,138**	-
Other non-current assets	12(c)	**-**	5
Total non-current assets		**173,988**	117,341
Total assets		**176,141**	119,070
Current liabilities			
Payables	12(d)	**1,753**	2,191
Provisions	12(e)	**126**	-
Derivative financial instruments	8(c)	**-**	2
Loans from related entities	9	**-**	3,301
Total current liabilities		**1,879**	5,494
Non-current liabilities			
Payables	12(d)	**-**	629
Derivative financial instruments	8(c)	**-**	380
Loans from related entities	9	**-**	7,407
Deferred tax liabilities	4(c)	**13,478**	10,099
Total non-current liabilities		**13,478**	18,515
Total liabilities		**15,357**	24,009
Net assets		**160,784**	95,061
Equity			
Contributed equity	11	**93,278**	43,287
Retained profits		**67,506**	51,774
Total equity		**160,784**	95,061

1. See Note 20 for details regarding the restatement as a result of a prior period error.

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 2022

	Note	Contributed equity $'000	Retained profits $'000	Total $'000
Opening balance as at 1 July 2020		34,715	46,988	81,703
Net profit for the year		-	4,786	4,786
Other comprehensive income/(loss) for the year		-	-	-
Total comprehensive income for the year		-	4,786	4,786
Transactions with owners in their capacity as owners:				
Issue of contributed equity	11	8,656	-	8,656
Equity issuance costs (net of tax)	11	(84)	-	(84)
Distributions paid or payable	5	-	-	-
Total transactions with owners in their capacity as owners		8,572	-	8,572
Closing balance as at 30 June 2021		**43,287**	**51,774**	**95,061**
Opening balance as at 1 July 2021		**43,287**	**51,774**	**95,061**
Net profit for the year		**-**	**15,732**	**15,732**
Other comprehensive income/(loss) for the year		**-**	**-**	**-**
Total comprehensive income for the year		**-**	**15,732**	**15,732**
Transactions with owners in their capacity as owners:				
Issue of contributed equity	11	**51,611**	**-**	**51,611**
Buy-back of contributed equity	11	**(794)**	**-**	**(794)**
Equity issuance and buy-back costs (net of tax)	11	**(826)**	**-**	**(826)**
Distributions paid or payable	5	**-**	**-**	**-**
Total transactions with owners in their capacity as owners		**49,991**	**-**	**49,991**
Closing balance as at 30 June 2022		**93,278**	**67,506**	**160,784**

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 2022

	Note	2022 $'000	2021 Restated[1] $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**9,680**	9,122
Payments in the course of operations (inclusive of GST)		**(6,420)**	(2,078)
Finance costs paid		**(720)**	(1,816)
Net cash inflow/(outflow) from operating activities	15	**2,540**	5,228
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(581)**	(2,320)
Payments for investments accounted for using the equity method		**(37,557)**	-
Net cash inflow/(outflow) from investing activities		**(38,138)**	(2,320)
Cash flows from financing activities			
Proceeds from loans with related entities		**35,669**	280
Repayment of loans with related entities		**(50,515)**	(11,212)
Additional borrowing costs paid		**-**	(48)
Payments for buy-back of contributed equity		**(794)**	-
Proceeds from issue of contributed equity		**51,611**	8,656
Equity issuance and buy-back costs paid		**(826)**	(84)
Net cash inflow/(outflow) from financing activities		**35,145**	(2,408)
Net increase/(decrease) in cash and cash equivalents		**(453)**	500
Cash and cash equivalents at the beginning of the year		**689**	189
Cash and cash equivalents at the end of the year		**236**	689

1. See Note 20 for details regarding the restatement as a result of a prior period error.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

In this section

This section sets out the basis upon which the Group's Consolidated Financial Statements are prepared.

Specific accounting policies are described in their respective Notes to the Consolidated Financial Statements.

Basis of preparation

The Consolidated Financial Statements are general purpose financial reports which have been prepared in accordance with the requirements of the Constitutions of the entities within the Group, the *Corporations Act 2001*, AASB's issued by the Australian Accounting Standards Board and International Financial Reporting Standards adopted by the International Accounting Standard Board.

Unless otherwise stated the Consolidated Financial Statements have been prepared using consistent accounting policies in line with those of the previous financial year and corresponding interim reporting period. Where required, comparative information has been restated for consistency with the current year's presentation.

The Consolidated Financial Statements are presented in Australian dollars, with all values rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise stated.

The Consolidated Financial Statements have been prepared on a going concern basis using historical cost conventions, except for investment properties, investment properties within equity accounted investments and derivative financial instruments which are stated at their fair value.

DXI stapled securities are quoted on the Australian Securities Exchange under the "DXI" code and comprise one unit in each of Industria Trust No. 1 (IT1), Industria Trust No. 2 (IT2), Industria Trust No. 3 (IT3) and Industria Trust No. 4 (IT4) and one share in Industria Company No. 1 Limited (IC1). In accordance with Australian Accounting Standards, the entities within DXI must be consolidated for financial reporting purposes. IT1 is the parent entity and deemed acquirer of IT2, IT3, IT4 and IC1. These Consolidated Financial Statements represent the results of IC1 and its controlled entities. IC1 is a for-profit entity.

Each entity forming part of DXI continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards. Dexus Asset Management Limited (DXAM) as Responsible Entity for IT1, IT2, IT3, IT4 and Manager for IC1 may only unstaple if approval is obtained by a special resolution of the stapled security holders.

Significant change from the previous annual financial report

During the year, the Group entered into a joint venture arrangement to acquire a 68% interest in Jandakot Airport Holdings Trust (JAHT). The accounting policy for the investment in the joint venture arrangement is outlined below.

The terms of the joint venture arrangement agreed upon establishes joint control for all parties to the arrangement and is therefore accounted for using the equity method of accounting in accordance with *AASB 128 Investments in Associates and Joint Ventures.*

On initial recognition, under the equity method, the investment in the joint venture is recognised at cost, and the carrying amount is increased or decreased to recognise the Group's share of the profit or loss of the equity accounted investment after the date of acquisition. The Group's share of the equity accounted investments' profit or loss is recognised in the Consolidated Statement of Comprehensive Income.

Any distributions received/ receivable reduce the carrying amount of the equity accounted investment.

Acquisition related costs are capitalised and form part of the cost base of the equity accounted investment.

On acquisition, where the consideration paid exceeds the Group's share of the net fair value of the equity accounted investments' identifiable assets and liabilities, the difference is accounted for as notional goodwill relating to the joint venture and is included in the carrying amount of the equity accounted investment. Amortisation of that goodwill is not permitted. Conversely, any excess of the Group's share of the net fair value of the equity accounted investments' identifiable assets and liabilities over the consideration paid is included as a gain within the Group's share of net profit/(loss) of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income.

After initial recognition, the carrying amount of the equity accounted investment is tested for impairment in accordance with *AASB 136 Impairment of assets*.

Basis of preparation (continued)

Prior period error

Restatement to comparative information was performed throughout the Consolidated Financial Statements as indicated to correct a misstatement in the prior period financial report that affects the comparative information presented in these Consolidated Financial Statements. See Note 20 for details regarding the restatement as a result of a prior period error.

Critical accounting estimates

The preparation of the Consolidated Financial Statements requires the use of certain critical accounting estimates and management to exercise its judgement in the process of applying the Group’s accounting policies.

COVID-19

The economic impacts resulting from the Government imposed restrictions in a response to the COVID-19 pandemic have the potential to impact various financial statement line items including: Investment properties, Property revenue and expenses.

The financial year saw the continuation of COVID-19 lockdowns in Sydney and Melbourne, which impacted the economy and the ability for business to trade normally. Despite this, the vaccine was successfully rolled out across Australia enabling the easing of restrictions before Christmas. Subsequently, the Omicron variant of COVID-19 continues to impact confidence, creating challenges in supply chains which has persisted for the second half of the financial year.

In the process of applying the Group’s accounting policies, management has made a number of judgements and applied estimates in relation to continued COVID-19 related uncertainties.

Additionally, management has considered the current economic environment noting recent inflationary impacts and a rising interest rate climate. Other than these and the estimates and assumptions used for the measurement of items held at fair value such as certain financial instruments and investment properties, no key assumptions concerning the future or other estimation of uncertainty at the end of each reporting period could have significant risk of causing material adjustments to the Consolidated Financial Statements.

Climate change

In preparing these Consolidated Financial Statements the Group has considered the impact of climate change risks on the assets and liabilities recognised and presented within the Consolidated Financial Statements. The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance as it considers the impact of climate change risks in preparing the Consolidated Financial Statements. Refer to specific considerations relating to Investment Properties within Note 7 to the Consolidated Financial Statements.

In March 2022, the International Sustainability Standards Board (ISSB) released their first two exposure drafts. When the exposure drafts are issued as standards, these will be available for voluntary adoption and will not become mandatory until aligned standards are adopted in Australia. The Group will assess the potential impact of these new standards on the Consolidated Financial Statements once they have been issued by the ISSB and will continue to monitor developments in Australia.

Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2022.

a) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

b) Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint operations

Where assets are held directly as tenants in common, the Group's proportionate share of revenues, expenses, assets and liabilities are included in their respective items of the Consolidated Statement of Financial Position and Consolidated Statement of Comprehensive Income.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the Group's share of the joint ventures' post-acquisition profits or losses is recognised in the Consolidated Statement of Comprehensive Income and distributions received from joint ventures are recognised as a reduction of the carrying amount of the investment.

Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Australian Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. 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 that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

Notes to the Consolidated Financial Statements

The Notes include information which is required to understand the Consolidated Financial Statements and is material and relevant to the operations and financial performance of the Group.

The Notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segment	6. Investment properties	8. Capital and financial risk management	14. Audit, taxation and transaction service fees
2. Property revenue and expenses	7. Investments accounted for using the equity method	9. Loans from related entities	15. Cash flow information
3. Finance costs		10. Commitments and contingencies	16. Related parties
4. Taxation		11. Contributed equity	17. Controlled entities
5. Earnings per share		12. Working capital	18.Parent entity disclosures
		13. Loans to related entities	19. Subsequent events
			20. Correction of prior period error in relation to the classification of an equity accounted investment

Group performance

In this section

This section explains the results and performance of the Group.

It provides additional information about those individual line items in the Consolidated Financial Statements that the Directors consider most relevant in the context of the operations of the Group, including: results by operating segment, property revenue and expenses, finance costs, taxation and earnings per share.

Note 1 Operating segment

The operating segments within the DXI stapled group are reviewed on a consolidated basis and are not monitored at the individual stapled entity level.

Disclosures concerning DXI's operating segments are presented in DXI's Consolidated Financial Statements within the Dexus Industria REIT Financial Report.

Note 2 Property revenue and expenses

The Group's main revenue stream is property rental revenue and is derived from holding properties as investment properties and earning rental yields over time. Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses.

Prospective tenants may be offered incentives as an inducement to enter into operating leases. The costs of incentives are recognised as a reduction of property revenue on a straight-line basis from the lease commencement date to the end of the lease term. The carrying amount of the lease incentives is reflected in the fair value of investment properties.

Within its lease arrangements, the Group provides certain services to tenants (such as utilities, cleaning, maintenance and certain parking arrangements) which are accounted for within AASB 15 *Revenue from Contracts with Customers.* A portion of the consideration within the lease arrangements is therefore allocated to services revenue within property revenue.

	2022 **$'000**	2021 Restated[1] $'000
Rental income	**7,867**	6,698
Outgoing and direct recoveries	**252**	139
Services revenue	**1,621**	1,518
Embedded network income[2]	**197**	210
Incentive amortisation	**(879)**	(972)
Total property revenue	**9,058**	7,593

1. See Note 20 for details regarding the restatement as a result of a prior period error.
2. Embedded network income represents the net of $0.4 million (2021: $0.7 million) of direct recoveries income and $0.2 million (2021: $0.5 million) of electricity expenses.

Impact of COVID-19 on Property revenue

Rent relief provided to tenants that have been impacted by the COVID-19 pandemic comprised short term waivers related to future occupancy and are treated as lease modifications. Such modifications are recognised on a straight-line basis over the non-cancellable term of the modified lease. As at the reporting date, all waivers provided were on a short-term basis and in aggregate were insignificant to the Group's total property revenue.

Note 2 Property revenue and expenses (continued)

Property expenses

Property expenses include rates, taxes, expected credit losses on receivables and other property outgoings incurred in relation to investment properties. These expenses are recognised in the Consolidated Statement of Comprehensive Income on an accrual basis. If these items are recovered from a tenant by the Group, they are recorded within Services revenue or outgoings and direct recoveries within Property revenue.

	2022 $'000	2021 Restated[1] $'000
Recoverable outgoings and direct recoveries	**(1,998)**	(1,801)
Other non-recoverable property expenses	**(1,376)**	(353)
Total property expenses	**(3,374)**	(2,154)

1. See Note 20 for details regarding the restatement as a result of a prior period error.

Note 3 Finance costs

Finance costs include interest, debt modification, amortisation or other costs incurred in connection with arrangement of borrowings and realised interest rate swaps. Finance costs are expensed as incurred.

	2022 $'000	2021 $'000
Interest expense paid/payable[1]	**(720)**	(1,732)
Amortisation of borrowing costs[2]	**-**	(84)
Total finance costs	**(720)**	(1,816)

1. Industria Company No.1 Limited has an agreement with Industria Trust No. 3 to settle cashflows attributable to the external interest rate swaps to the extent IC1 has borrowings from Industria Trust No. 3.
2. From 1 July 2021, amortisation of borrowing costs is retained within Industria Trust No. 3 and not allocated to related entities.

Note 4 Taxation

Industria Company No.1 Limited

Income tax on the profit or loss for the financial year comprises current and deferred tax for Industria Company No.1 Limited (the "Company"), a controlled entity of DXI. Income tax is recognised in the Consolidated Statement of Comprehensive Income.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates enacted or substantively enacted at balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for taxation purposes.

The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of the deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount or assets and liabilities, using tax rates enacted or substantively enacted at the reporting 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 Comprehensive Income.

Income taxes relating to items recognised directly in other comprehensive income or equity are recognised in other comprehensive income or equity and not in the Consolidated Statement of Comprehensive Income.

Note 4 Taxation (continued)

Industria Company No.1 Limited – tax consolidation

The Company and its controlled entities are a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Industria Company No. 1 Limited. The members of the tax-consolidated group are identified in note 17.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Industria Company No. 1 Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group.

The tax-sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax-sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding agreement.

a) Income tax (expense)/benefit

	2022 $'000	2021 $'000
Current income tax benefit/(expense)	**-**	(24)
Deferred income tax (expense)/benefit	**(3,624)**	(1,961)
Total income tax (expense)/benefit	**(3,624)**	(1,985)
Deferred income tax expense included in income tax (expense)/benefit comprises:		
(Decrease)/increase in deferred tax assets	**(658)**	(36)
(Increase)/decrease in deferred tax liabilities	**(2,966)**	(1,949)
Total deferred tax benefit/(expense)	**(3,624)**	(1,985)

b) Reconciliation of income tax (expense)/benefit to net profit

	2022 $'000	2021 $'000
Profit before income tax	**19,356**	6,771
Less: share of net profit of investments accounted for using the equity method	**(7,168)**	-
Profit subject to income tax	**12,188**	6,771
Prima facie tax expense at the Australian tax rate of 30% (2021: 30%)	**(3,656)**	(2,031)
Add/(subtract) the tax effect of:		
Differences in accounting and tax asset values	**(1)**	43
Under provision from previous years	**33**	3
Income tax expense	**(3,624)**	(1,985)

Note 4 Taxation (continued)

c) Deferred tax balances

2022 Temporary differences	Opening balance $'000	Recognised in profit or loss $'000	Recognised in equity $'000	Closing balance $'000
Provisions and accruals	**11**	**202**	**-**	**213**
Investment properties	**(11,098)**	**(2,966)**	**-**	**(14,064)**
Impairment of receivables	**-**	**10**	**-**	**10**
Equity issuance and buy-back costs	**61**	**-**	**245**	**306**
Fair value adjustments on derivatives	**118**	**(118)**	**-**	**-**
Tax losses carried forward	**809**	**(752)**	**-**	**57**
Net deferred tax assets / (liabilities)	**(10,099)**	**(3,624)**	**245**	**(13,478)**
2021 Temporary differences				
Provisions and accruals	10	1	-	11
Investment properties	(9,434)	(1,664)	-	(11,098)
Impairment of receivables	90	(90)	-	-
Equity issuance and buy-back costs	65	(40)	36	61
Fair value adjustments on derivatives	271	(153)	-	118
Tax losses carried forward	848	(39)	-	809
Net deferred tax assets / (liabilities)	(8,150)	(1,985)	36	(10,099)

Note 5 Earnings per share

Earnings per share is calculated based on the total comprehensive income for the period of the DXI stapled group as securityholders hold interests in each stapled entity, including this Group. Therefore, this note should be read in conjunction with the earnings per security note presented in DXI's Consolidated Financial Statements.

No dilutive securities were issued/on issue during the period (2021: nil).

Property portfolio assets

In this section

The following table summarises the property portfolio assets detailed in this section.

30 June 2022	Note	Land held for development $'000	Industrial and office $'000	Total $'000
Investment properties	6	-	125,125	125,125
Investments accounted for using the equity method	7	8,830	1,223	10,053
Total		**8,830**	**126,348**	**135,178**

Property portfolio assets are used to generate the Group's performance and are considered to be the most relevant to the understanding of the operating performance of the Group. The assets are detailed in the following notes:

- *Investment properties*: relates to investment properties, both stabilised and under development.
- *Investments accounted for using the equity method*: provides summarised financial information on the joint ventures and investments with significant influence. The Group's interests in its joint venture property portfolio assets that are held through investments in trusts.

Note 6 Investment properties

The Group's investment properties consist of properties held for long-term rental yields and/or capital appreciation and property that is being constructed or developed for future use as investment property. Investment properties are initially recognised at cost including transaction costs. Investment properties are subsequently measured at fair value.

Investment properties represent industrial and business park properties held for deriving rental income and held for development for future use as investment property. For all investment properties, the current use equates to the highest and best use.

The basis of valuations of investment properties is fair value, being the price that would be received to sell the asset in an orderly transaction between market participants at the measurement date.

Changes in fair values are recorded in the Consolidated Statement of Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Comprehensive Income in the year of disposal.

Subsequent redevelopment and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

Leasing fees incurred and incentives provided are capitalised and amortised over the lease periods to which they relate.

	2022 $'000	2021 Restated[1] $'000
Non-current		
Industrial and office properties	**125,125**	117,336
Total	**125,125**	117,336

1. See Note 20 for details regarding the restatement as a result of a prior period error.

Note 6 Investment properties (continued)

a) Reconciliation

	2022 $'000	2021 Restated[1] $'000
Opening balance at the beginning of the year	**117,336**	111,380
Additions[2]	**397**	2,378
Lease incentives	**286**	50
Amortisation of lease incentives	**(990)**	(700)
Rent straightlining	**(19)**	259
Net fair gain/(loss) on fair value adjustments[3]	**8,115**	3,969
Carrying amount at the end of financial year	**125,125**	117,336

1. See Note 20 for details regarding the restatement as a result of a prior period error.
2. Includes $0.4 million (2021: $1.9 million) of maintenance and lessor works capital expenditure incurred during the year.
3. The net gain on fair value adjustments is wholly unrealised and has been recognised as "net fair value gain of investment properties" in the Consolidated Statement of Comprehensive Income.

Acquisitions

There were no investment property acquisitions for year ending 30 June 2022.

Disposals

There were no investment property disposals for year ending 30 June 2022.

b) Valuations process

It is the policy of the Group to perform independent valuations for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. Since 31 December 2021, it has been the Group's practice in the majority of cases to have such valuations performed every six months. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three years except for properties under development and co-owned properties. Independent valuations may be undertaken earlier where DXAM believes there is potential for a change in the fair value of the property, being 5% of the asset value. At 30 June 2022, all investment properties were independently externally valued.

The Group's policy requires investment properties to be internally valued at least every six months at each reporting period (interim and full-year) unless they have been independently externally valued. Internal valuations are compared to the carrying value of investment properties at the reporting date. Where the Directors determine that the internal valuations present a more reliable estimate of fair value the internal valuation is adopted as book value. Internal valuations are performed by the Group's internal valuers who hold recognised relevant professional qualifications and have previous experience as property valuers from major real estate valuation firms.

An appropriate valuation methodology is utilised according to asset class. In relation to industrial and office assets this includes the capitalisation approach (market approach) and the discounted cash flow approach (income approach). The valuation is also compared to, and supported by, direct comparison to recent market transactions. The adopted capitalisation rates and discount rates are determined based on industry expertise and knowledge and, where possible, a direct comparison to third party rates for similar assets in a comparable location. Rental revenue from current leases and assumptions about future leases, as well as any expected operational cash outflows in relation to the property, are also built into each asset assessment of fair value.

In relation to development properties under construction for future use as investment property, where reliably measurable, fair value is determined based on the market value of the property on the assumption it had already been completed at the valuation date (using the methodology as outlined above) less costs still required to complete the project, including an appropriate adjustment for industry benchmarked profit and development risk.

c) Sustainability valuation considerations

The Group engages independent valuation firms to assist in determining fair value of the investment property assets at each reporting period. As qualified valuers, they are required to follow the *RICS Valuation - Global Standards* and accordingly their valuations are required to take account the sustainability features of properties being valued and the implications such factors could have on property values in the short, medium and longer term.

Where relevant, the Group's independent valuation firms note in their valuation reports that sustainability features are considered as part of the valuation approach and outline that sustainability features have been influencing value for some time.

Note 6 Investment properties (continued)

c) Sustainability valuation considerations (continued)

Where the independent valuation firms give consideration to the impacts of sustainability, they are incorporating their understanding of how market participants include sustainability in their bids and the impact on market valuations, noting that valuers should reflect markets and not lead them.

d) Fair value measurement and valuation inputs

The following table represents the level of the fair value hierarchy and the associated unobservable inputs utilised in the fair value measurement for each class of investment property, including investment property held within investments accounted for using the equity method.

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs 2022	2021
Industrial and office properties	Level 3	Adopted capitalisation rate	**6.00% - 7.00%**	6.50% - 7.50%
		Adopted terminal yield	**6.25% - 7.50%**	6.75% - 7.75%
		Adopted discount rate	**6.75% - 7.50%**	7.50% - 7.75%
		Net market rent (per sqm p.a.)	**$283 - $487**	184 - 1,290
Land held for development	Level 3	Sales price per sqm	**$265**	-

Key assumptions: inputs used to measure fair value of investment properties

Judgement is required in determining the following key assumptions:

- **Adopted capitalisation rate**: The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted terminal yield**: The capitalisation rate used to convert the future net market rental revenue 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 regard to market evidence and the prior external valuation.
- **Adopted discount rate**: The rate of return used to convert cash flows, payable or receivable in the future, into present value. For industrial and office properties, it reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rental (per sqm p.a.):** The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.

e) Impact of COVID-19 on fair value of investment properties

While there remains uncertainty in relation to the ultimate impact of COVID-19, the impact to the Group has been limited. As a result, the independent valuations did not identify specific COVID-19 related impacts to assumptions in determining appropriate fair values for investment properties as at 30 June 2022. Since the end of the year, the Group have considered the current economic environment, noting the recent inflationary impacts and a rising interest rate climate and considers that the assumptions used in the valuations are appropriate for the purposes of determining fair value of investment properties at 30 June 2022.

f) Sensitivity information

Significant movement in any one of the valuation inputs listed in the table above may result in a change in the fair value of the Group's investment properties, including investment properties within investments accounted for using the equity method, as shown below.

Note 6 Investment properties (continued)

f) Sensitivity information (continued)
The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

	2022	2021
	$'000	$'000
A decrease of 25 basis points in the adopted capitalisation rate	**4,916**	4,792
An increase of 25 basis points in the adopted capitalisation rate	**(4,558)**	(4,457)
A decrease of 25 basis points in the adopted discount rate	**4,501**	2,273
An increase of 25 basis points in the adopted discount rate	**(4,199)**	(2,220)
A decrease of 5% in the net market rental (per sqm p.a)	**(6,256)**	(5,867)
A increase of 5% in the net market rental (per sqm p.a)	**6,256**	5,867

Generally, a change in the assumption made for the adopted capitalisation rate is often accompanied by a directionally similar change in the adopted terminal yield. The adopted capitalisation rate forms part of the capitalisation approach whilst the adopted terminal yield forms part of the discounted cash flow approach.

Under the capitalisation approach, the net market rental has a strong interrelationship with the adopted capitalisation rate as the fair value of the investment property is derived by capitalising, in perpetuity, the total net market rent receivable. An increase (softening) in the adopted capitalisation rate may offset the impact to fair value of an increase in the total net market rent. A decrease (tightening) in the adopted capitalisation rate may also offset the impact to fair value of a decrease in the total net market rent. A directionally opposite change in the total net market rent and the adopted capitalisation rate may increase the impact to fair value.

The discounted cash flow (DCF) is primarily made up of the discounted cash flow of net income over the cash flow period and the discounted terminal value (which is largely based upon market rents grown at forecast market rental growth rates capitalised at an adopted terminal yield). An increase (softening) in the adopted discount rate may offset the impact to fair value of a decrease (tightening) in the adopted terminal yield. A decrease (tightening) in the discount rate may offset the impact to fair value of an increase (softening) in the adopted terminal yield. A directionally similar change in the adopted discount rate and the adopted terminal yield may increase the impact to fair value.

A decrease (softening) in the forecast rental growth rate may result in a negative impact on the discounted cash flow approach value while a strengthening may have a positive impact on the value under the same approach.

Note 7 Investments accounted for using the equity method

Investments accounted for using the equity method are initially recognised at cost, including acquisition costs and adjusted thereafter for the Group's share of changes in the investee's net assets. The Group's share of the profits or losses of an investment accounted for using the equity method is recorded in the Consolidated Statement of Comprehensive Income within "Share of net profit accounting for using the equity method".

a) Interest in joint ventures and associates

The following investments are accounted for using the equity method of accounting in the Consolidated Financial Statements. Information relating to these entities is set out below.

Jandakot acquisition

On 1 November 2021, Dexus Holdings Pty Limited acquired 100% of Jandakot City Holdings Pty Limited (JCH) and 49% of Jandakot Airport Holdings Pty Limited (JAH) through the newly established Jandakot City Holdings Trust (JCHT) and Jandakot Airport Holdings Trust (JAHT). On 19 November 2021, shortly after initial settlement, DXI acquired a 33.3% interest in JCHT (interest held by Industria Trust No. 4) and 68% interest in JAHT (interest held by Industria Company No. 1 Limited).

On 1 April 2022, Dexus Projects Pty Limited settled on the remaining 51% interest of JAH through the establishment of Jandakot Airport Domestic Trust (JADT), with Cbus acquiring a 33.3% interest in each of JCH and JAH by acquiring a 33.3% interest in JCHT and a 65.3% interest in JADT. The joint venture which owns 100% of Jandakot airport, Perth, is held in the following proportions: Dexus 33.4%, DXI 33.3% and Cbus Super 33.3%. The existing structure included senior asset-level debt of $405,000,000, reflecting a combined equity commitment of $895,000,000 excluding acquisition costs.

	Ownership interest			
Name of entity	**2022 %**	2021 Restated[1] %	**2022 $'000**	2021 Restated[1] $'000
Jandakot Airport Holdings Trust (JAHT)[2]	**68.0**	-	**44,725**	-
Total assets - investments accounted for using the equity method[3,4]			**44,725**	-

1. See Note 20 for details regarding the restatement as a result of a prior period error.
2. The above entity was formed in Australia and the principal activity is property investment and airport operations and related infrastructure within Australia.
3. On 19 November 2021, DXI acquired a 68.0% interest in Jandakot Airport Holdings Trust (JAHT), for a total consideration of $36,388,000 excluding acquisition costs.
4. The Group's share of investment properties in the investments accounted for using the equity method was $10,053,000 (30 June 2021: nil). Additionally, held for sale assets in the investments accounted for using the equity method was nil (30 June 2021: nil). These investments are accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

b) Impairment assessment on Investments accounted for using the equity method

At each reporting date, management assess whether there is any indication of impairment to the carrying value of Investments accounted for using the equity method, which in certain instances may include the notional goodwill recognised on acquisition. As a result, the entire carrying amount of the investment is tested for impairment in accordance with AASB 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount (taken to be the higher of value in use and fair value less costs to sell) with its carrying value.

As part of the assessment to determine whether any indicators of impairment exist at the reporting date, the impact of COVID-19 has been taken into consideration.

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 6 gives further explanation of the approach taken to measure the fair value of investment properties in light of COVID-19. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the year, there were no impairment losses recorded (2021: nil).

Note 7 Investments accounted for using the equity method
(continued)

c) Summarised financial information for individually material joint ventures and associates and equity accounted investments

The following table provides summarised financial information for the equity accounted investments which, in the opinion of the directors, are material to the Group. The information disclosed reflects the amounts presented in the Financial Statements of the relevant joint ventures and associates and not the Group's share of those amounts.

	Jandakot Airport Holdings Trust (JAHT)		Total	
Summarised Statement of Financial Position	**2022 $'000**	2021 $'000	**2022 $'000**	2021 Restated[1] $'000
Non-current assets				
Investments accounted for using the equity method	**65,751**	-	**65,751**	-
Total non-current assets	**65,751**	-	**65,751**	-
Current liabilities				
Other current liabilities	**533**	-	**533**	-
Total current liabilities	**533**	-	**533**	-
Net assets	**65,218**	-	**65,218**	-
Reconciliation to carrying amounts:				
Opening balance at the beginning of the year	**-**	-	**-**	-
Additions	**37,557**	-	**37,557**	-
Share of net profit for the period	**7,168**	-	**7,168**	-
Closing balance at the end of the year	**44,725**	-	**44,725**	-
Group's share of net assets in $'000	**44,348**	-	**44,348**	-
Capitalised transaction costs	**1,168**	-	**1,168**	-
Notional goodwill / (gain on bargain purchase)	**(791)**	-	**(791)**	-
Group's carrying amount	**44,725**	-	**44,725**	-
Summarised Statement of Comprehensive Income				
Share of net profit of investments accounted for using the equity method	**11,258**	-	**11,258**	-
Other expenses	**(533)**	-	**(533)**	-
Net profit/(loss) for the year	**10,725**	-	**10,725**	-
Total comprehensive income/(loss) for the year	**10,725**	-	**10,725**	-

1. See Note 20 for details regarding the restatement as a result of a prior period error.

Capital and financial risk management and working capital

In this section

The overall risk management program focuses on reducing volatility from impacts of movements in financial markets and seeks to minimise potential adverse effects on the financial performance of the five entities including Industria Company No.1 Limited which together comprise DXI.

Note 8 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (interest rate risk, liquidity risk and credit risk) and details the various derivative financial instruments entered into by the Group.

The Board determines the appropriate capital structure of DXI, how much is borrowed from financial institutions and capital markets (debt), and how much is raised from security holders (equity) in order to finance DXI's activities both now and in the future. This capital structure is detailed in the following notes:

- Debt: *Loans from related entities* in note 9 and *Commitments and contingencies* in note 10;
- Equity: *Contributed equity* in note 11.

Note 12 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

Note 8 Capital and financial risk management

Capital and financial risk management is carried out through a centralised treasury function which is governed by a Board approved Treasury Policy. DXI has an established governance structure which consists of the Dexus Group Management Committee and Capital Markets Committee.

The Dexus Group Management Committee is responsible for supporting DXI in achieving its goals and objectives, including the prudent financial and risk management of DXI. The Dexus appointed Capital Markets Committee has been established to advise the Dexus Group Management Committee and the Board.

The Capital Markets Committee is a management committee that is accountable to the Board. It convenes at least quarterly and conducts a review of financial risk management exposures including liquidity, funding strategies and hedging. It is also responsible for the development of financial risk management policies and funding strategies for recommendation to the Board, and the approval of treasury transactions within delegated limits and powers.

Industria Trust No. 3 (IT3) is one of the five entities which along with Industria Company No. 1 Limited (IC1) comprise DXI. IT3 is the financier of DXI and enters into financing arrangements with external parties including interest bearing liabilities and derivative financial instruments. IT3 provides financial support to the other four entities in DXI including IC1 via the provision of intercompany loans.

a) Capital risk management

DXI manages its capital to ensure that entities within DXI will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance.

The capital structure of DXI consists of debt, cash and cash equivalents and equity attributable to security holders. DXI continuously monitors its capital structure and it is managed in consideration of the following factors:

- the cost of capital and the financial risks associated with each class of capital;
- gearing levels and other debt covenants;
- potential impacts on net tangible assets and security holders' equity; and
- other market factors.

Note 8 Capital and financial risk management (continued)

b) Financial risk management

DXAM is the Manager of the Group and Responsible Entity for IT1, IT2, IT3, IT4 which are the management investment schemes that are stapled to form DXI. DXAM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to maintain liquidity above specified limits. DXAM must also prepare rolling cash projections over at least the next 15 months to demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of DXAM.

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the five entities including Industria Company No.1 Limited which together comprise DXI.

i) Liquidity risk

Liquidity risk is associated with ensuring that there are sufficient funds available to meet the Group's financial commitments as and when they fall due and planning for any unforeseen events which may curtail cash flows. DXI identifies and manages liquidity risk centrally on behalf of the five entities including Industria Company No.1 Limited which together comprise DXI.

An analysis of the contractual maturities of the Group's loans from related entities and other liabilities is shown in the table below. The amounts in the table represent undiscounted cash flows.

	Within one year $'000	Between one and two years $'000	Between two and five years $'000	After five years $'000	Total contractual cash flows $'000	Carrying amounts $'000
2022						
Liabilities						
Lease incentives payable	-	-	-	-	-	-
Payables	(1,753)	-	-	-	(1,753)	(1,753)
Provisions	(126)	-	-	-	(126)	(126)
Total liabilities	(1,879)	-	-	-	(1,879)	(1,879)
2021						
Liabilities						
Lease incentives payable						
Payables	(2,252)	(109)	(459)	-	(2,820)	(2,820)
Loans from related entities	(8,552)	(6,572)	(12,372)	-	(27,496)	(10,708)
Total liabilities	(10,804)	(6,681)	(12,831)	-	(30,316)	(13,528)

ii) Credit risk

Credit risk is the risk that the counterparty will not fulfil its obligations under the terms of a financial instrument and will cause financial loss to the Group. The Group has exposure to credit risk on all financial assets included in the Group's Consolidated Statement of Financial Position.

DXI manages credit risk centrally on behalf of the five entities including Industria Company No.1 Limited which together comprise DXI.

The Group is exposed to credit risk on cash balances and on derivative financial instruments with financial institutions. DXI has a policy that sets limits as to the amount of credit exposure to each financial institution. New derivatives and cash transactions are limited to financial institutions that meet minimum credit rating criteria in accordance with DXI's policy requirements.

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise DXI's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2022 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

The Group is exposed to credit risk on trade receivable balances. The Group has a policy to continuously assess and monitor the credit quality of trade debtors on an ongoing basis. Given the historical profile and exposure of the trade receivables, it has been determined that no significant concentrations of credit risk exists for receivables balances. The maximum exposure to credit risk at 30 June 2022 is the carrying amounts of the trade receivables recognised on the Group's Consolidated Statement of Financial Position.

Note 8 Capital and financial risk management (continued)

b) Financial risk management (continued)

iii) Fair value

DXI uses the following methods in the determination and disclosure of the fair value of financial instruments:

Level 1: The fair value is calculated using quoted prices in active markets.

Level 2: The fair value is determined using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: The fair value is estimated using inputs for the asset or liability that are not based on observable data.

All derivative financial instruments were measured at Level 2 for the year ended 30 June 2021.

During the year, there were no transfers between Level 1, 2 and 3 fair value measurements.

Since cash, receivables and payables are short-term in nature, their fair values are not materially different from their carrying amounts. For the majority of the borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a are of a medium to long term nature.

c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A derivative's value changes over time in response to an underlying benchmark, such as interest rates and is entered into for a fixed period. A hedge is where a derivative is used to manage an underlying exposure.

Written policies and limits are approved by the Board of Directors of DXAM, in relation to the use of financial instruments to manage financial risks. DXAM regularly reviews DXI's exposures and updates its treasury policies and procedures. DXI does not trade in interest rate related derivative instruments for speculative purposes.

DXI uses derivative contracts as part of its financial and business strategy. Interest rate derivative contracts are used to manage the risk of movements in variable interest rates on DXI's Australian dollar denominated borrowings.

Derivatives are measured at fair value with any changes in fair value recognised in the Consolidated Statement of Comprehensive Income.

Industria Trust No. 3 (IT3) is one of the five entities which along with Industria Company No. 1 Limited (IC1) comprise DXI. IT3 is the financier of DXI and enters into hedging arrangements with external parties including derivative financial instruments on behalf of DXI stapled group. IC1 has an agreement with IT3 to settle cashflows attributable to the external interest rate swaps to the extent IC1 has borrowings from IT3.

Interest rate contracts

DXI has exposure to debt facilities that are subject to floating interest rates. DXI uses derivative financial instruments on a portfolio basis to manage its exposure to interest rates such as interest rate swaps (to lock in fixed interest rates) and/or interest rate options (to limit exposure to rising floating interest rates).

All derivative financial instruments are entered into on terms that provide pari-passu security and cross collateralisation rights over DXI's investment properties (via first registered real property mortgages) and other assets (via a first ranking general "all assets" security agreement) pursuant to DXI's revolving cash advance facilities.

Generally, interest rate contracts settle on a combination of monthly and quarterly basis coinciding with the dates on which the interest is payable on the underlying debt. The floating rate incurred on the debt is Australian BBSY. The difference between the fixed and floating interest rate is settled on a net basis with the relevant counterparty. The interest rate contracts have not been identified as hedging instruments and any movements in the fair value are recognised immediately in the Consolidated Statement of Comprehensive Income.

Note 8 Capital and financial risk management (continued)

c) Derivative financial instruments (continued)

Interest rate contracts (continued)

	2022 $'000	2021 Restated[1] $'000
Current liabilities		
Interest rate derivative contracts	-	(2)
Total current liabilities - derivative financial instruments	-	(2)
Non-current liabilities		
Interest rate derivative contracts	-	(380)
Total non-current liabilities - derivative financial instruments	-	(380)
Net derivative financial instruments	-	(382)

1. See Note 20 for details regarding the restatement as a result of a prior period error.

The table below details a breakdown of the net fair value gain on derivatives in the Consolidated Statement of Comprehensive Income.

	2022 $'000	2021 Restated[1] $'000
Net fair value gain/(loss) of derivatives		
Interest rate swap contracts	**382**	520
Total net fair value gain/(loss) of derivatives	**382**	520

1. See Note 20 for details regarding the restatement as a result of a prior period error.

Note 9 Loans from related entities

Loans from related entities comprise of intercompany payables which represent amounts owing by the Group to other related entities including Industria Trust No. 3 which acts as the financier of DXI. These amounts are subject to interest and are repayable on the same dates as the external debt facility held with Industria Trust No. 3.

Loans from related entities with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	2022 $'000	2021 Restated[1] $'000
Current		
Amounts owing to related entities[2]	-	(3,355)
Capitalised borrowing cost[3]		54
Total current loans from related entities	-	(3,301)
Non-current		
Amounts owing to related entities[2]	-	(7,504)
Capitalised borrowing cost[3]	-	97
Total non-current loans from related entities	-	(7,407)
Total loans from related entities	-	(10,708)

1. See Note 20 for details regarding the restatement as a result of a prior period error.
2. Amounts owing to related entities represent amounts owing to Industria Trust No. 3 that acts as the financier to the Group. These amounts are subject to interest and are repayable on the same dates as the external debt facilities.
3. From 1 July 2021, capitalised borrowing costs are retained within Industria Trust No. 3 and not allocated to related entities.

Note 10 Commitments and contingencies

a) Commitments

Contractual obligations

The following amounts represent capital expenditure on investment properties as well as committed fitout or cash incentives contracted at the end of each reporting period but not recognised as liabilities payable:

	2022	2021
	$'000	$'000
Investment properties	57	-
Investments accounted for using the equity method	-	-
Total capital commitments	57	-

Lease receivable commitments

The majority of the investment properties are leased to tenants under long term operating leases. Rentals are receivable from tenants monthly. Minimum lease payments to be received under non-cancellable operating leases of investment properties not recognised in the Consolidated Financial Statements as receivable are as follows:

	2022	2021
	$'000	$'000
Within one year	7,060	6,529
More than one year but not more than five years	19,411	13,877
More than five years	8,518	8,816
Total lease receivable commitments	34,989	29,222

b) Contingencies

The Directors of the Company are not aware of any other contingent liabilities in relation to the Group, other than those disclosed in the Consolidated Financial Statements, which should be brought to the attention of shareholders as at the date of completion of this report.

Outgoings are excluded from contingencies as they are expensed when incurred.

Note 11 Contributed equity

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the stapled DXI security. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

Transaction costs arising on the issuance and buy-back of equity instruments are recognised directly in equity (net of tax) Transaction costs are the costs that are incurred directly in connection with the issue and buy-back of those equity instruments and which would not have been incurred had those instruments not been issued or bought back.

Note 11 Contributed equity (continued)

a) Carrying amount

	2022	2021
	$'000	$'000
At the beginning of the year	**43,287**	34,715
Issue of contributed equity, net of transaction costs	**51,611**	8,656
Shares issued under distribution reinvestment plan	**-**	-
Buy-back of contributed equity	**(794)**	-
Equity issuance and buy-back costs (net of tax)	**(826)**	(84)
At the end of the year	**93,278**	43,287

b) Number of shares on issue

	2022	2021
	No.	No.
At the beginning of the year	**217,001,053**	197,525,519
Issue of contributed equity[1]	**101,449,276**	19,336,874
Shares issued under distribution reinvestment plan	**712,232**	138,660
Buy-back of contributed equity[2]	**(1,892,549)**	-
At the end of the year	**317,270,012**	217,001,053

1. During the year, DXI successfully completed an equity raising through issuance of 101.4 million stapled securities for approximately $350,000,000 at a fixed issue price of $3.45 per security, comprising:
   - 29.0 million stapled securities for $100,000,000 via an institutional placement
   - 42.0 million stapled securities for $144,000,000 via an institutional entitlement offer
   - 30.4 million stapled securities for $106,000,000 via a retail entitlement offer.
2. On 11 February 2022, DXI announced plans to initiate an on-market securities buy-back of up to 5% of DXI stapled securities on issue over the next 12 months, as part of its active approach to capital management. During the period to 30 June 2022, DXI acquired and cancelled 1,892,549 stapled securities representing 0.60% of DXI stapled securities on issue.

Note 12 Working capital

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

b) Receivables

Rental income is brought to account on an accrual basis. Dividends and distributions are recognised when declared and, if not received at the end of the reporting period, reflected in the Consolidated Statement of Financial Position as a receivable.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for expected credit losses. Trade receivables are required to be settled within 30 days and are assessed on an ongoing basis for impairment. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly.

A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses 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. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The calculation of expected credit losses relating to rent and other receivables require significant judgement to assess the future uncertainty of tenants’ ability to pay their debts. Expected credit losses have been estimated using a provision matrix that has been developed with reference to the Group’s historical credit loss experience, general economic conditions and forecasts, assumptions around rent relief that may be provided to tenants and tenant risk factors such as size, industry exposure and the Group’s understanding of the ability of tenants to pay their debts. Accordingly, expected credit losses include both the part of the rent receivable that is likely to be waived and any additional amount relating to credit risk associated with the financial condition of the tenant.

Note 12 Working capital (continued)

b) Receivables (continued)

For any provisions for expected credit losses, the corresponding expense has been recorded in the Consolidated Statement of Comprehensive Income within Property expenses

	2022 $'000	2021 Restated[1] $'000
Rent receivable[2]	**308**	
Less: provision for expected credit losses	**(35)**	-
Other receivables[3]	**863**	885
Total receivables	**1,136**	885

1. See Note 20 for details regarding the restatement as a result of a prior period error.
2. Rent receivable includes outgoings recoveries.
3. Other receivables include amounts owing from related entities. The amounts are interest free and repayable on demand.

The provision for expected credit losses for rent receivables (which includes outgoings recoveries) as at 30 June 2022 was determined as follows:

Days outstanding	2022 $'000	2021 $'000
0-30 days	**2**	-
31-90 days	**-**	-
91+ days	**33**	-
Total provision for expected credit losses	**35**	-

The provision for expected credit losses for distributions receivable and other receivables that have been recorded is minimal.

The provision of expected credit losses for rent receivable at the reporting date reconciles as follows:

	2022 $'000	2021 '$'000
Opening provision for expected credit losses	**-**	-
Increase in provision recognised in profit or loss during the year	**35**	-
Closing provision for expected credit losses	**35**	-

As at 30 June 2022, rent receivable of nil relating to one tenant was impaired (2021: nil) and expensed in the Consolidated Statement of Comprehensive Income.

There are no significant financial assets that have had renegotiated terms that would otherwise have been past due or impaired.

c) Other assets

	2022 $'000	2021 Restated[1] $'000
Current		
Prepayments	**16**	155
Security deposits received from tenants[2]	**627**	-
Other current assets[3]	**138**	-
Total other current assets	**781**	155
Other non current assets	**-**	5
Total other non-current assets	**-**	5
Total other assets	**781**	160

1. See Note 20 for details regarding the restatement as a result of a prior period error.
2. For the year ended 30 June 2021, Industria Trust No. 3, the financier of DXI held cash received for security deposits on behalf of the Group.
3. Other current assets for the year ended 30 June 2022 includes $0.1 million for land tax for properties owned in Queensland and South Australia that are due during the following period.

Note 12 Working capital (continued)

d) Payables

	2022 $'000	2021 Restated[1] $'000
Current		
Trade payables	**-**	54
Accruals and other creditors	**733**	1,837
Prepaid income	**216**	41
Security deposits received from tenants	**769**	222
GST payable	**35**	37
Total current payables	**1,753**	2,191
Non-current		
Security deposits received from tenants	**-**	629
Total non-current payables	**-**	629
Total payables	**1,753**	2,820

1. See Note 20 for details regarding the restatement as a result of a prior period error.

e) Provisions

A provision is recognised when an obligation exists as a result of a past event, and it is probable that a future outflow of cash or other benefit will be required to settle the obligation.

Provision for land tax has been recognised in accordance with the requirements of *AASB Interpretation 21 Levies* which requires a provision to be recognised for land tax obligation on properties owned in Queensland and South Australia that are due during the following period.

	2022 $'000	2021 $'000
Provision for distribution	**-**	-
Provision for land tax	**126**	-
Total current provisions	**126**	-

Note 13 Loans to related entities

Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as ‘loans and receivables’.

Loans to related entities comprise of intercompany receivables which are non-interest bearing and represent amounts owing to the Group by related entities including Industria Trust No. 3 that acts as the financier to the Group.

Loans to related entities with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	2022 $'000	2021 $'000
Non-Current		
Amounts owing from related entities	**4,138**	-
Total non-current loans to related entities	**4,138**	-
Total loans to related entities	**4,138**	-

Other disclosures

In this section

This section includes information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations, but which are not considered critical in understanding the financial performance or position of the Group.

Note 14 Audit, taxation and transaction service fees

Effective from 23 November 2021, PricewaterhouseCoopers have been appointed as the Auditor of the Group in accordance with section 327 of the Corporations Act 2001. This appointment follows the resignation of Deloitte Touche Tohmatsu and ASIC's consent to the same.

During the year, the Auditor and its related practices earned the following remuneration:

	2022	2021
	$	$
Audit and review services		
Auditors of the Group - PwC (2021: Deloitte Touche Tohmatsu)		
Financial statement audit and review services	**29,340**	31,050
Audit and review fees paid to PwC	**29,340**	31,050
Assurance services		
Auditors of the Group - PwC (2021: Deloitte Touche Tohmatsu)		
Outgoings audits	**7,374**	-
Compliance assurance services	**-**	-
Other assurance services	**15,000**	-
Assurance fees paid to PwC	**22,374**	-
Total audit, review and assurance fees paid to PwC	**51,714**	31,050

Note 15 Cash flow information

a) Reconciliation of cash flows from operating activities

Reconciliation of net profit for the year to net cash flows from operating activities:

	2022 $'000	2021 Restated[1] $'000
Net profit/(loss) for the year	**15,732**	4,786
Add/(loss) non-cash items:		
Straight-line lease recognition	**19**	(259)
Amortisation of borrowing costs	**-**	84
Amortisation of incentives	**990**	700
Fair value (gain)/loss on derivatives	**(382)**	(520)
Fair value (gain)/loss on investment properties	**(8,115)**	(3,969)
Share of net profit/(loss) of investments accounted for using the equity method	**(7,168)**	-
Net loss on sale of assets	**24**	-
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**(251)**	1,280
(Increase)/decrease in other assets	**(621)**	(146)
(Decrease)/increase in payables	**(1,067)**	1,323
(Decrease)/increase in deferred tax	**3,379**	1,949
Net cash inflow/(outflow) from operating activities	**2,540**	5,228

1. See Note 20 for details regarding the restatement as a result of a prior period error.

b) Net debt reconciliation

	2022 $'000	2021 $'000
Opening balance	**(10,708)**	(21,604)
Changes from financing cash flows		
Proceeds from loans with related parties	**(35,669)**	(280)
Repayments of loans with related parties	**50,515**	11,212
Additional capitalised borrowing costs paid	**-**	48
Non-cash changes		
Amortisation of borrowing costs	**-**	(84)
Closing balance	**4,138**	(10,708)

Note 16 Related parties

Transactions with key management personnel

The Group does not employ personnel in its own right. However, it has appointed DXAM as the Manager to manage the activities of the Company and its controlled entities. DXAM is also the Responsible Entity for the other four trusts which along with Industria Company No. 1 Limited comprise Dexus Industria REIT. As such there are no staff costs (including fees paid to directors of Industria Company No.1 Limited) included in the Consolidated Statement of Comprehensive Income.

Transactions with related body corporates

The Manager of Industria Company No. 1 Limited is DXAM. On 13 August 2021, DXPG (ACN 109 846 068), the immediate parent entity of DXAM was acquired by Dexus Nominee Pty Limited (an entity controlled by Dexus). Effective from that date, DXPG and its controlled entities are wholly owned subsidiaries of Dexus.

Accordingly, transactions with entities related to DXPG Limited are disclosed below:

	2022		2021	
	Paid $'000	**Payable $'000**	Paid $'000	Payable $'000
Management fees[1, 2]	**(734)**	**(317)**	(985)	(361)
Property management and leasing fees[3]	**(101)**	**(89)**	(289)	(9)
Total	**(835)**	**(406)**	(1,274)	(370)

1. DXAM is entitled to a base management fee of 0.55% per annum of the Gross Asset Value of DXI (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). Management fees are allocated to the entities comprising DXI on a fair and reasonable basis and in accordance with each entities' Constitution.
2. DXAM has entered into a base management fee waiver agreement with DXI, associated with the acquisition of the 68% interest in Jandakot Airport Holdings Trust (JAHT) whereby DXAM will waive 50% of the incremental increase in base management fee to which it becomes entitled to from the respective assets' settlement date to 30 June 2022. The management fees disclosed for the year ended 30 June 2022 have been reduced by the waiver amount.
3. APN Asset Services Pty Ltd, a related party of DXAM provides property management and leasing services to the Group. These services can be carried out by DXAM or sub-contracted to one or more third parties. In the event that DXAM provides property management or leasing services without engaging third parties, DXAM is entitled to charge a fee of up to 3% of annual gross income and leasing fees at market rates.

Security holdings and associated transactions with related parties

The below table shows the number of DXI securities held by related parties (including other managed investment schemes for which DXAM is the Responsible Entity or Investment Manager) and the distributions received, or receivable are set out as follows:

	2022		2021	
	Number of securities	**Distributions $**	Number of securities	Distributions $
Dexus PG Limited (formerly APN Property Group Limited)	**-**	**-**	-	361
Dexus Diversified Fund	**11,382,460**	**1,548,516**	-	-
APD Trust	**44,261,005**	**7,178,582**	33,195,754	5,163,168
APN AREIT Fund	**3,657,216**	**554,909**	2,330,956	782,857
APN Property for Income Fund	**721,261**	**164,436**	63,173	20,039
APN Property for Income Fund No.2	**92,684**	**14,758**	321,502	115,415
CFS AREIT Fund	**521,693**	**83,765**	199,617	61,093
Geoff Brunsdon AM[1]	**-**	**11,741**	105,578	15,932
Tim Slattery[2]	**-**	**126**	970	824
Joseph De Rango[3]	**-**	**-**	7,814	1,337
Total	**60,636,319**	**9,556,833**	36,225,364	6,161,026

1. Mr Brunsdon resigned as Director of DXAM on 28 February 2022.
2. Mr Slattery resigned as a Director of Dexus PG Limited on 13 August 2021.
3. Mr De Rango resigned as Alternative Director of DXAM for Mr Brenchley on 1 March 2022.

As at 30 June 2022, 19.11% (2021: 16.69%) of DXI's stapled securities were held by related parties.

Note 17 Controlled entities

	Country of incorporation	Percentage owned % 2022	2021
Parent entity			
Industria Company No. 1 Limited	Australia		
Controlled entities of Industria Company No.1 Limited			
APN DF1 SPV1 (Qld) Pty Limited[1]	Australia	**100%**	100%
APN DF1 SPV2 (Qld) Pty Limited[1]	Australia	**100%**	100%
APN DF1 SPV3 (Qld) Pty Limited[1]	Australia	**100%**	100%
McKechnie Drive Pty Limited[1]	Australia	**100%**	100%
BTP Central Pty Limited[1]	Australia	**100%**	100%
Connect Office Services Pty Limited[1]	Australia	**100%**	100%

1. Entity forms part of the tax-consolidated group.

Note 18 Parent entity disclosures

The financial information for the parent entity of Industria Company No. 1 has been prepared on the same basis as the Consolidated Financial Statements except as set out below.

Distributions received from associates are recognised in the parent entity's Statement of Comprehensive Income, rather than being deducted from the carrying amount of these investments.

Interests held by the parent entity in controlled entities are measured at fair value through profit and loss to reduce a measurement or recognition inconsistency.

a) Summary financial information

The individual Financial Statements for the parent entity show the following aggregate amounts:

	2022 $'000	2021 $'000
Statement of financial position		
Current assets	**579**	9,317
Non-current assets	**161,561**	95,249
Total assets	**162,140**	104,566
Current liabilities	**(979)**	(1,492)
Non-current liabilities	**(11,240)**	(17,432)
Total liabilities	**(12,219)**	(18,924)
Net assets	**149,921**	85,642
Equity		
Issued capital	**93,278**	43,287
Retained earnings	**56,643**	42,355
Total equity	**149,921**	85,642
Financial performance		
Net profit/(loss) for the year	**14,288**	3,533
Other comprehensive income	**-**	-
Total comprehensive income/(loss) for the year	**14,288**	3,533

Note 18 Parent entity disclosures (continued)

b) Guarantees entered into by the parent entity

At 30 June 2022, the parent entity had not provided guarantees (2021: nil).

c) Contingent liabilities

At 30 June 2022, the parent entity had no had no contingent liabilities (2021: nil).

d) Capital commitments

The following amounts represent capital expenditure on investment properties as well as committed fitout or cash incentives of the parent entity on investment properties contracted at the end of the reporting period but not recognised as liabilities payable:

	2022	2021
	$'000	$'000
Investment properties	**19**	-
Investments accounted for using the equity method	**-**	-
Total capital commitments	**19**	-

e) Going concern

The parent entity is a going concern. The entity recorded a net current asset deficiency of $0.4 million as at 30 June 2022 (2021: Nil). The DXI stapled group has a centralised treasury function which provides access to unutilised facilities of $55.8 million (2021: $16.1 million) and sufficient working capital and cash flows in order to fund it's debts as and when they become due and payable.

Note 19 Subsequent events

Since the end of the year the Directors are not aware of any matter or circumstance not otherwise dealt with in their Directors' Report or the Consolidated Financial Statements that has significantly or may significantly affect the operations of the Group, the results of those operations, or state of the Group's affairs in future financial periods

Note 20 Correction of prior period error in relation to the classification of an equity accounted investment

A restatement has been made to correct a misstatement in the prior period financial report that affects the comparative information presented in these Consolidated Financial Statements.

The restatement relates to the Group's 50% ownership of an investment property located at 88 Brandl St, Eight Miles Plain, QLD, as tenants in common with Industria Trust No. 4, a related entity within the DXI stapled group. The Group's interest in this asset was previously recorded as an investment accounted for using the equity method. In accordance with the Accounting Standards, this arrangement meets the definition of a joint operation and therefore, the restated comparatives reflect the Group's 50% interest in the assets, liabilities, revenues and expenses relating to this investment property.

The error has been corrected by restating each of the affected financial statement line items for the prior periods as follows in the table below, noting that there is no impact on net assets, equity, profit before tax, profit for the period after tax or earnings per share.

Refer to the impact of the restatement below:

	30 June 2021	Movement	**30 June 2021 Restated**	30 June 2020	Movement	**1 July 2020 Restated**
Consolidated Statement of Financial Position	$'000	$'000	**$'000**	$'000	$'000	**$'000**
Cash and cash equivalents	499	190	**689**	189	110	**299**
Receivables	5,204	(4,319)	**885**	5,671	(4,591)	**1,080**
Other current assets	72	83	**155**	14	1	**15**
Investment properties	109,036	8,300	**117,336**	103,655	7,725	**111,380**
Investments accounted for using the equity method	5,359	(5,359)	**-**	4,327	(4,327)	**-**
Other non current assets	5	-	**5**	-	-	**-**
Payables	(2,123)	(68)	**(2,191)**	(935)	(85)	**(1,020)**
Derivative financial instruments	(161)	159	**(2)**	(287)	-	**(287)**
Loans from related entities	(3,682)	381	**(3,301)**	-	-	**-**
Payables	(568)	(61)	**(629)**	(562)	(67)	**(629)**
Derivative financial instruments	(221)	(159)	**(380)**	(615)	-	**(615)**
Loans from related entities	(8,260)	853	**(7,407)**	(21,604)	1,234	**(20,370)**
Deferred tax liabilities	(10,099)	-	**(10,099)**	(8,150)	-	**(8,150)**
Net assets	95,061	-	**95,061**	81,703	-	**81,703**

Note 20 Correction of prior period error in relation to the classification of an equity accounted investment

(continued)

Consolidated Statement of Comprehensive income	30 June 2021 $'000	Movement $'000	**30 June 2021 Restated $'000**
Revenue from ordinary activities			
Property revenue	7,416	177	**7,593**
Straight line rental income recognition	259	-	**259**
Net fair value gain of investment properties	3,435	534	**3,969**
Share of net profit of investments accounted for using the equity method	1,032	(1,032)	**-**
Net fair value gain of derivatives	520	-	**520**
Property expenses	(2,475)	321	**(2,154)**
Management fee expense	(1,346)	-	**(1,346)**
Finance costs	(1,816)	-	**(1,816)**
Other expenses	(254)	-	**(254)**
Net profit before tax	6,771	-	**6,771**

Consolidated Statement of Cash Flows	30 June 2021 $'000	Movement $'000	**30 June 2021 Restated $'000**
Receipts in the course of operations (inclusive of GST)	7,560	1,562	**9,122**
Payments in course of operations (inclusive of GST)	(2,268)	190	**(2,078)**
Net cash	10,078	1,752	**11,830**

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Directors' Declaration

The Directors of Dexus Asset Management Limited as the Manager of Industria Company No. 1 Limited declare that the Consolidated Financial Statements and Notes set out on pages 8 to 40:

(i) comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) give a true and fair view of the Group's consolidated financial position as at 30 June 2022 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the Directors' opinion:

(a) the Consolidated Financial Statements and Notes are in accordance with the *Corporations Act 2001*; and

(b) there are reasonable grounds to believe that the Group and its consolidated entities will be able to pay their debts as and when they become due and payable.

The Consolidated Financial Statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the Fund Manager who performs the Chief Executive Officer function and the Head of Finance who performs the Chief Financial Officer function required by section 295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors.

Jennifer Horrigan

Chair

7 September 2022

Independent auditor's report

To the stapled security holders of Industria Company No. 1 Limited

Report on the audit of the Group financial report

Our opinion

In our opinion:

The accompanying financial report of Industria Company No. 1 Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2022
- the Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Notes to the Consolidated Financial Statements, which include significant accounting policies and other explanatory information
- the Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Group financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Group financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

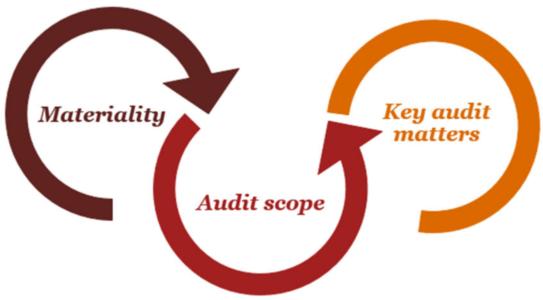
PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999

Our audit approach

An audit is designed to provide reasonable assurance about whether the Group financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Group financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the Group financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.



Materiality	Audit scope	Key audit matters
• For the purpose of our audit we used overall materiality of $1.6 million, which represents approximately 1% of the Group's Net Asset Value excluding intercompany balances (NAV). • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the Group financial report as a whole. • We chose NAV because, in our view, it is the key performance measure of the Group. • We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • The Group is a consolidated entity with operations in Australia. The scope of our audit included the Company and its controlled entities.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit Risk and Compliance Committee: – Valuation of investment properties, including those investment properties in investments accounted for using the equity method – Acquisition Accounting - Jandakot • These are further described in the *Key audit matters* section of our report.

As part of our audit, we also considered the potential impact of climate change on our risk assessment. We made enquiries of management to develop an understanding of the process that they adopted to assess the extent of the potential impact of climate change risk on the Group financial report. We considered management's progress in developing its assessment, and in particular the assessment of the impact on the fair value of investment properties.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the Group financial report for the current period. The key audit matters were addressed in the context of our audit of the Group financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties, including those investment properties in investments accounted for using the equity method *(Refer to Notes 6 and 7)*	
The Group's investment property portfolio comprises: • Directly held properties included in the Consolidated Statement of Financial Position as Investment Properties valued at $125.1 million as at 30 June 2022. • The Group's share of investment properties valued at $10.1 million as at 30 June 2022 held through associates and joint ventures included in the Consolidated Statement of Financial Position as Investments accounted for using the equity method. Investment properties are carried at fair value at reporting date using the Group's policy as described in Note 6. The value of investment properties is dependent on the valuation methodology adopted and the inputs and assumptions in the valuation models. The following significant assumptions are used in establishing fair value: • Capitalisation rate • Discount rate At each reporting period the Group determines the fair value of its investment property portfolio in line with the Group's valuation policy which requires all properties to be independently valued by a member of the Australian Property Institute of Valuers at least once every three years. Since 31 December 2021, it has been the Group's practice, in the majority of cases, to have such valuations performed every six months. We considered the valuation of investment properties to be a key audit matter due to the: • Financial significance of investment properties in the Consolidated Statement of	To assess the valuation of investment properties we performed the following procedures amongst others: • We compared the valuation methodology adopted by the Group with commonly accepted valuation approaches used in the real estate industry for investment properties, and with the Group's stated valuation policy. • We obtained recent independent property market reports to develop an understanding of the prevailing market conditions in which the Group invests. We leveraged this knowledge to assess the reasonableness of movements in significant assumptions used in the investment property valuations including capitalisation rates and discount rates. • We assessed the design and tested the operating effectiveness of certain controls supporting the Group's investment property valuation process, including controls relating to the review and approval of the valuations adopted. • We agreed the adopted fair values of all properties to the external valuation reports. • For selected data inputs to the valuations, on a sample basis we agreed relevant details to supporting documentation. • We performed a risk-based assessment of the investment property portfolio to determine those properties at greater risk of being carried at amounts other than fair value. Our risk-based selection criteria included qualitative considerations and quantitative measures which were informed by our knowledge of each property, its asset class

Financial Position (including those within investments accounted for using the equity method).

- Potential for changes in the fair value of investment properties to have a significant effect on the Consolidated Statement of Comprehensive Income.
- The inherently subjective nature of the assumptions that underpin the valuations, including the capitalisation and discount rates.

and our understanding of the current market conditions.

- For those properties which met our selection criteria, we performed procedures to assess the appropriateness of selected assumptions used in the valuations. These procedures included, amongst others:
    - Discussions held with management on the specifics of the selected individual properties including, where relevant, any new leases signed during the year, lease expiries, incentives, capital expenditure and vacancy rates.
    - Assessing the capitalisation rate and discount rate used in the valuations by reference to market analysis published by industry experts and recent market transactions.
    - Testing the mathematical accuracy of the valuation calculations.
- As the Group engaged independent valuation firms to assist in the determination of the fair value of investment properties, we considered the independence, experience and competency of the independent valuation firms as well as the results of their work.
- We met with a selection of independent valuation firms used by the Group to develop an understanding of their processes, judgements and observations.
- We assessed the reasonableness of the Group's disclosures in the Group financial report against the requirements of Australian Accounting Standards.

Key audit matter	How our audit addressed the key audit matter
Acquisition Accounting - Jandakot *(Refer to Note 7)* On 19 November 2021 the Group acquired a 68% interest in Jandakot Airport Holding Trust (JAHT). We consider the acquisition accounting for this transaction a key audit matter due to the: ● Financial significance of the associated balance in the Consolidated Statement of Financial Position. ● The judgement required in assessing the Group's ability to influence the JAHT financial and operating policies and hence whether the Group's investment in JAHT should be accounted for through consolidation or equity accounting. ● The complexity and judgement required in assessing the fair value of the assets and liabilities acquired. The Group engaged an external valuation expert to assist in the determination of fair values for selected balances.	Our audit included the following procedures, amongst others: ● Evaluating the appropriateness of the Group's accounting for the acquisitions against the requirements of Australian Accounting Standards and with regard to key transaction agreements. ● Assessing the reasonableness of the fair values of selected assets and liabilities acquired, including, agreeing the fair values of all acquired investment properties and land held for development to the corresponding external valuation reports. ● Considering selected purchase price adjustments in light of the requirements of Australian Accounting Standards. ● Assessing the competence and capability of the Group's independent valuation expert and the results of their work. ● Testing the mathematical accuracy of the Group's purchase price allocation calculations. ● Evaluating the related financial statement disclosures for consistency with Australian Accounting Standards requirements.

Other information

The Directors of the Company (the Directors) are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2022, but does not include the Group financial report and our auditor's report thereon.

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

In connection with our audit of the Group financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Group financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Group financial report

The Directors are responsible for the preparation of the Group 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 Group financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the Group financial report

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

A further description of our responsibilities for the audit of the Group financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included on page 3 of the Directors' Report for the year ended 30 June 2022.

In our opinion, the remuneration report of the Company for the year ended 30 June 2022 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The Directors are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Samantha Johnson

Samantha Johnson
Partner

Sydney
7 September 2022