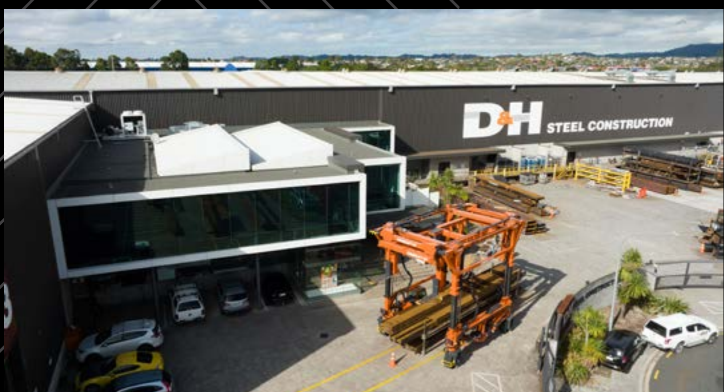
Centuria



2022 Annual Report

Centuria NZ Industrial Fund Limited

510 Mount Wellington Highway, Auckland

Key Portfolio Highlights

As at 31 March 2022

WALT*

5.4 YEARS

▲ 4.7 in 2021

OCCUPANCY

97.4%

▲ 96.3% in 2021

PORTFOLIO VALUATION

$651.2 MILLION

▲ $408.3m in 2021

PASSING RENTAL**

$29.6 MILLION

▲ $22.5m in 2021

NUMBER OF PROPERTIES/TENANTS

21/53

▲ 11/48 in 2021

* WALT: The weighted average lease term which measures the average lease term across each of the leases in the Fund's portfolio weighted by the relative income of each lease.

** Passing Rental: The amount of rent payable under the terms of the relevant lease, excluding the recovery of outgoings, annualised for a 12-month period as at the relevant date.

Key Portfolio Highlights (cont.)

As at 31 March 2022

GEARING

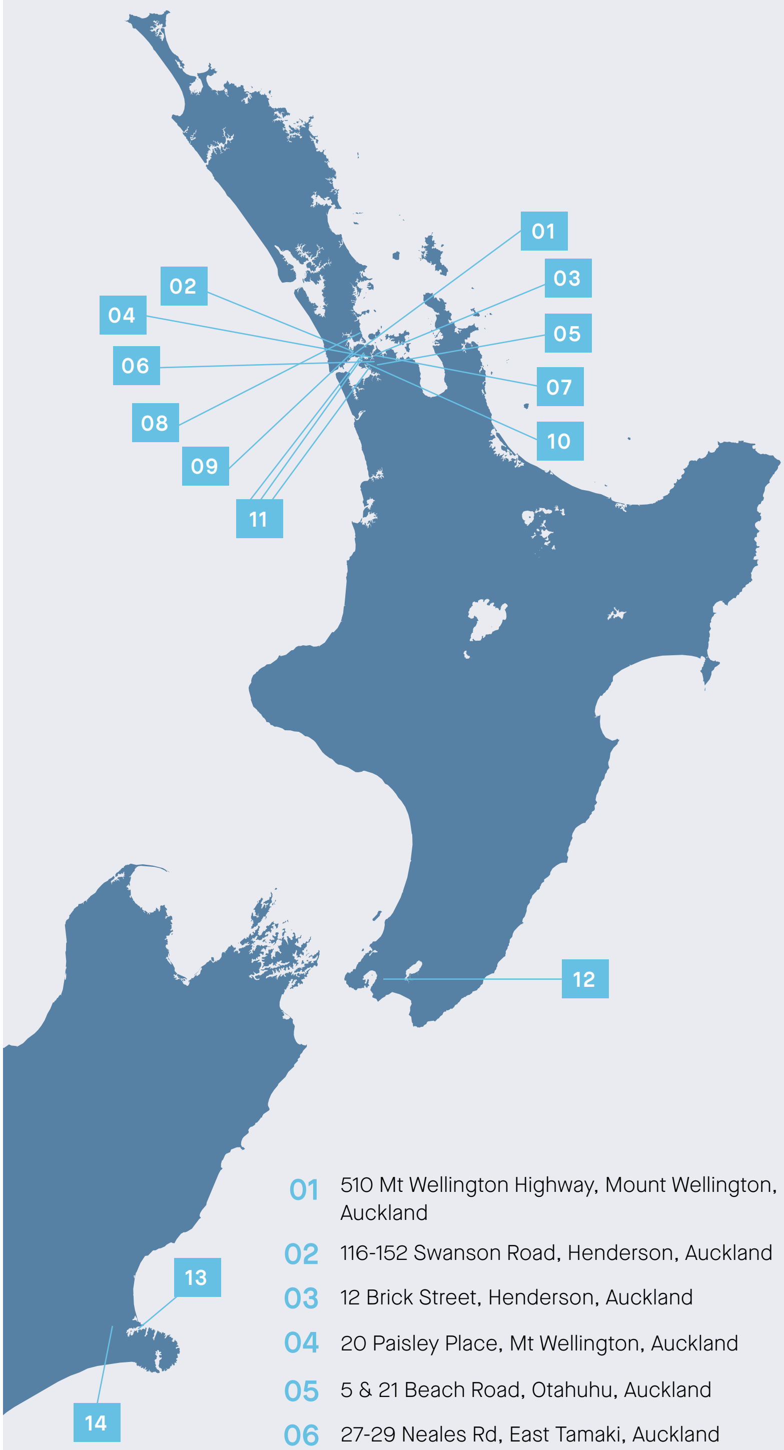
32%

▼ 37% in 2021

PORTFOLIO WEIGHTING TO AUCKLAND

78%

▲ 73% in 2021



01 510 Mt Wellington Highway, Mount Wellington, Auckland

02 116-152 Swanson Road, Henderson, Auckland

03 12 Brick Street, Henderson, Auckland

04 20 Paisley Place, Mt Wellington, Auckland

05 5 & 21 Beach Road, Otahuhu, Auckland

06 27-29 Neales Rd, East Tamaki, Auckland

07 862 - 864 Great South Road, Penrose, Auckland

08 265 Albany Highway, Rosedale, Auckland

09 48 Honan Place, Avondale, Auckland

10 78 Tidal Road, Mangere, Auckland

11 Strong Parts Portfolio, Auckland (8 properties)

12 The Hub, Seaview, Wellington

13 Castle Rock Business Park, Christchurch

14 62 Columbia Avenue, Christchurch

256 Albany Highway, Auckland

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Letter from the Chair and Manager

Dear Shareholder,

We are pleased to present the fourth Annual Report for Centuria NZ Industrial Fund Limited ("Fund") after another busy year which has seen the Fund continue to grow and weather the storm of the ongoing COVID-19 pandemic.

The year ended 31 March 2022 ("FY22") featured continued strong demand for industrial property from both occupiers and investors, particularly in the Auckland region. Investment yields continued to compress, and rents increase, which in combination with the asset management initiatives across the Fund has led to significant valuation gains.

On a total return basis, the Fund has continued to perform very well in FY22, achieving valuation growth of 19%. The Fund has now delivered an annualised pre-tax total return (combined income and capital) of 20.1% p.a.[1] since inception in 2018.

March 2022 Portfolio Valuations

The Fund's assets were valued at 31 March 2022, following the interim desktop valuations completed at 31 October 2021. The valuations reflected another very strong period in the industrial property market, driven primarily by low vacancy rates, historically low interest rates and high demand from both local and international investors. Significant one-off deals such as the Repco lease extension and new Belron development deal at 510 Mt Wellington Highway, and the settlement of several large market rent reviews in Auckland, have also pushed values forward.

Year on year to March 2022 the Fund's valuations increased by $104m to $651m, with growth of $41m (7%) from the time of the interim valuations completed in October 2021[2]. Features of the market have included significant growth in both market rents and underlying land values in the Auckland region.

Acquisition & Divestment Update

In addition to the valuation growth noted above, FY22 saw the Fund continue to grow in diversity and quality through the acquisition of Strong Parts Portfolio consisting of 8 heavy industrial properties across Auckland ($61.3m) in June 2021, 62 Columbia Avenue in Christchurch ($21.8m) in July 2021 and the acquisition of 78 Tidal Rd in Mangere ($48.8m) in October 2021.

The acquisitions aligned with the Fund's strategy of continuing to build a resilient and diversified income stream with strong growth prospects, and have provided the Fund with longer lease terms with fixed rental growth to well established tenants. The assets were acquired for a combined total of $22m below the March 2022 valuations.

78 Tidal Rd, Mangere, Auckland

We have recently entered an unconditional contract to acquire a property at 1458-1460 Omahu Rd, Hastings for $59.5m (5.46% Initial Yield). The cool store and fruit packing facility is a sale and lease back transaction to fresh produce distributor Freshmax via a 20-year triple-net lease, with annual rental growth linked to the Consumer Price Index (CPI) (subject to a 2% minimum and 4% maximum annual rental increase). The property is expected to settle in late August. The acquisition will add 1.5 years to the Fund's weighted average lease term (WALT), with other key benefits being the very strong built-in rental growth and the tenant being responsible for all building running and capital maintenance costs.

As part of our regular review of the portfolio the Fund has recently contracted to sell 16 Akatea Rd in Glendene, Auckland for $5.2m (4.22% Initial Yield) which we identified as the weakest asset in the Strong Parts Portfolio. The asset has been sold to an owner-occupier following notice that the current tenant (Strong Parts Group) was keen to vacate the site. The sale price represents a 6.7% premium on the purchase price of $4.875m, with settlement scheduled for 1 August 2022. We are currently exploring options to sell the remaining small industrial site in Glendene, 44 Bancroft Crescent, and we will update shareholders should that occur.

The acquisition of Omahu Rd, Hastings (Freshmax) and sale of Akatea Rd, Glendene would have the following impact on the Fund's metrics as at 30 June 2022:

Metric	Current Position	Post Freshmax & Akatea
Assets	21	21
Tenants	53	54
Portfolio Valuation	$651.2m	$705.7m
Passing Rental p.a.[1]	$29.6m	$32.8m
Loan to Value Ratio (LVR)	32%	39%
WALT (years)	5.1	6.6
Occupancy (% of income)	97.4%	98.0%
Portfolio Weighting to Auckland (by value)	78.3%	71.1%

[1] Passing Rental is the amount of rent payable under the terms of the relevant lease, excluding outgoings, annualised for a 12-month period as at the relevant date.

Development Update

Since inception of the Fund in 2018, we have looked for opportunities to add value within our existing portfolio. Several assets provide development potential due to their light site cover or surplus land parcels. We are commencing this process with the development of additional space at both 862 Great South Rd, Auckland and 510 Mt Wellington Highway, Auckland.

At 862 Great South Rd, an Agreement to Develop and Lease has been signed with Flower Systems Limited for a 12-year term at a total net rental of $662,000 p.a. The target lease commencement post development is May/ June 2023. The development is comprised of a premium grade warehouse and office building of approximately 2,500m2 on the 4,500m2 vacant site fronting Great South Rd.

[1] Calculated from 15 June 2018 to 31 March 2022 based on a $1.00 original issue price, dividends paid during the period and net tangible assets of $1.76 per Share as at 31 March 2022.

[2] To allow a like for like comparison for the calculation of the annual growth, the purchase prices of the Strong Portfolio, Auckland and Columbia Ave, Christchurch were assumed as the valuation levels as at March 2021. The Tidal Rd asset was previously valued "as if complete" as at 31 March 2021.

Letter from the Chair and Manager (cont.)

Western elevation – 862 Great South Road, Penrose, Auckland
Artist Impression only of finished building development

At 510 Mt Wellington Highway, confirmation that current tenant Dicker Data was vacating following a company merger presented the opportunity to explore options to develop the surplus land behind their tenancy. We are pleased to confirm that we have signed a new 10-year lease deal with Belron NZ Limited (Smith & Smith) which sees the tenant take the existing space occupied by Dicker Data plus an additional 1,500m^2 of warehouse space which is now under construction on the surplus land at the rear of the site. The Development is well underway, with Belron expected to take occupation in October 2022. The agreed total net rent is $994,000 p.a. with fixed rental growth of 3.0% p.a.

Eastern elevation - 510 Mount Wellington Highway, Mount Wellington, Auckland
Artist Impression only of finished building development

The above deals demonstrate the wider asset management and development capabilities that the Centuria team bring to the Fund. Further opportunities exist within the Fund, which we will seek to take advantage of as tenancies allow.

COVID-19

In dealing with the ongoing challenges presented by the COVID-19 pandemic, the strategy in FY22 has not changed from that employed in FY21. The focus has remained on long-term income and value preservation, whilst continuing to deliver steady and sustainable income returns to our shareholders. In many cases this has meant providing tenants with further support resulting from the lockdown period between August and December 2021, and to a lesser extent the Auckland lockdown in April 2022. The Fund provided abatement or relief totalling approximately $424,000 to 20 tenants during these periods, representing less than 2% of the Fund's net rental income for the year.

Despite the rental relief granted, we were pleased to have been able to maintain distributions at 6.65 cents per share over the course of the year. This was largely due to the retention of all of the Fund's tenants during and after these periods, despite the complications many faced to their trading conditions and use of property assets. Given the significance of the issues presented by COVID-19 we are pleased with the outcomes, largely attributable to the relationships we have built with the Fund's tenants in recent years.

Funding Profile & Economic Backdrop

The Fund faced increased interest costs in recent months as the Reserve Bank of New Zealand has progressively increased the OCR from 0.25% p.a. to 2.50% p.a. to manage inflation. We anticipate interest costs will increase further in the coming months. To manage exposure to rising interest rates, $130m of the total loan balance is hedged with interest rate swaps, representing 62% of drawn debt as at 31 March 2022. The effective weighted average interest rate as at 31 March 2022 was 3.72% p.a. and is currently 4.25% p.a.

The Fund has continued to benefit from the reintroduction of tax depreciation on commercial and industrial buildings from 1 April 2020. This has enhanced after-tax returns paid to shareholders by 0.42 cents per share for FY22 for those on the highest 28% PIE tax rate.

We will be reviewing the distribution rate regularly over the coming months. From October 2022 we anticipate a reduction in the dividend to 6.0 cents per share p.a. to ensure the Fund maintains a prudent level of liquidity going forward. This small reduction in dividend is primarily a result of the rising interest rate environment.

Looking Forward

Despite the very strong growth achieved in FY22, sales evidence in recent months suggests that rising interest rate costs are contributing to a softening of the broader commercial property market. Due to the strong fundamentals of the industrial sector, led by underlying tenant demand, tight supply, and high construction costs, we believe the Fund is very well placed to take advantage of this stage in the cycle.

The major focus for the Fund in the year ahead will be continuing to drive performance and income out of each of the existing assets. We will seek to continue to unlock opportunities within the portfolio to extend leases, refurbish and develop space and strengthen the quality and resilience of the diversified income stream. Critical to achieving this outcome is investing time in understanding our tenants' needs and business plans.

The longer-term goal remains carefully growing and enhancing the Fund through select industrial acquisitions that enhance the overall product on a risk/return basis. The strategy may also include divestment of select assets where we feel we have executed our strategies and extracted maximum value at that point in the cycle.

We thank all shareholders for your ongoing trust, and we remain committed to continuing to build and strengthen your investment in the year ahead.


Mark Petersen
Chair, Centuria NZ Industrial Fund


Ben Harding
Head of Asset Management and
Centuria NZ Industrial Fund Manager

Toop Street - The Hub, Seaview, Lower Hutt, Wellington

Industrial Fund Assets

As at 31 March 2022

Boundary lines indicative only

510 Mt Wellington Highway

Land area	30,845m²
Net lettable area	21,183m²
Major tenants	McConnell Dowell Construction Limited, GPC Asia Pacific Limited (Repco), Dicker Data NZ Limited and Z Energy Limited
Purchase price	$37,950,000
Valuation	$78,400,000 (on an as if complete basis, post Belron development)
Occupancy	100%
WALT	5.6 years (as at 31 March 2022)


Boundary lines indicative only

116-152 Swanson Road, Henderson, Auckland

Land area	56,033m²
Net lettable area	25,636m²
Major tenants	United Corporation Limited, Caprice NZ Limited, Blue Star Group (New Zealand) Limited and ZP Fitness Limited
Purchase price	$36,360,000
Valuation	$58,900,000
Occupancy	100%
WALT	3.5 years (as at 31 March 2022)


Boundary lines indicative only

12 Brick Street, Henderson, Auckland

Land area	19,876m²
Net lettable area	12,037m²
Major tenants	D & H Steel Construction Limited
Purchase price	$22,360,000
Valuation	$37,800,000
Occupancy	100%
WALT	6.0 years (as at 31 March 2022, assuming the tenant exercises the break clause)

Industrial Fund Assets (cont.)

As at 31 March 2022


Boundary lines indicative only

20 Paisley Place, Mt Wellington, Auckland

Land area	13,630m²
Net lettable area	7,812m²
Major tenant	Icepak Limited
Purchase price	$25,384,615
Valuation	$36,850,000
Occupancy	100%
WALT	9.7 years (as at 31 March 2022)


Boundary lines indicative only

5 & 21 Beach Road, Otahuhu, Auckland

Land area	41,074m²
Net lettable area	22,757m²
Major tenants	Pacific Steel (NZ) Limited and Fletcher Steel Limited
Purchase price	$25,650,000
Valuation	$43,000,000
Occupancy	100%
WALT	6.2 years (as at 31 March 2022)

Boundary lines indicative only

27-29 Neales Rd, East Tamaki, Auckland

Land area	16,019m²
Net lettable area	11,016m²
Major tenant	Vulcan Steel Limited
Purchase price	$25,223,809
Valuation	$35,500,000
Occupancy	100%
WALT	5.3 years (as at 31 March 2022)

Industrial Fund Assets (cont.)

As at 31 March 2022

Boundary lines indicative only

862 - 864 Great South Road, Penrose, Auckland

Land area	19,187m²
Net lettable area	9,541m²
Major tenant	Graphic Packaging International New Zealand Limited
Purchase price	$19,050,000
Valuation	$34,250,000
Occupancy	100%
WALT	4.8 years (as at 31 March 2022)

Boundary lines indicative only

265 Albany Highway, Rosedale, Auckland

Land area	16,917m²
Net lettable area	5,633m²
Major tenants	Good Health Products Limited, Albany OPE Limited, Panda Internet Cafe, LMZ Childcare Limited and Caffe E Cucina Limited
Purchase price	$20,100,000
Valuation	$28,400,000
Occupancy	100%
WALT	2.8 years (as at 31 March 2022)

Boundary lines indicative only

48 Honan Place, Avondale, Auckland

Land area	15,463m²
Net lettable area	8,466m²
Major tenant	T.C.I. New Zealand (1995) Limited
Purchase price	$16,650,000
Valuation	$25,050,000
Occupancy	100%
WALT	5.0 years (as at 31 March 2022)

Industrial Fund Assets (cont.)

As at 31 March 2022

Boundary lines indicative only

78 Tidal Road, Mangere, Auckland

Land area	49,774m² (plus an undivided 1/5 share of 7,343m², being an accessway to Tidal Road)
Net lettable area	15,024m²
Major tenants	Hancocks Wine, Spirits & Beer Merchants Limited and AutoPacific New Zealand Limited
Purchase price	$48,834,674
Valuation	$65,650,000
Occupancy	100%
WALT	10.3 years (as at 31 March 2022)

11 Mana Place, Wiri Auckland

Boundary lines indicative only

Strong Parts Portfolio, Auckland

(8 properties)

Land area	52,628m²
Net lettable area	14,891m²
Major tenants	Strong Parts Group Limited
Purchase price	$61,328,578
Valuation	$66,375,000
Occupancy	100%
WALT	7.3 years (as at 31 March 2022)

Boundary lines indicative only

The Hub, Seaview, Wellington

Land area	52,756m²
Net lettable area	39,569m²
Major tenants	Downer Utilities Alliance New Zealand Limited, Linfox Logistics (N.Z.) Limited, Toll Logistics (NZ) Limited, Jets Transport Limited, PBT Transport Limited
Purchase price	$44,900,000
Valuation	$53,750,000
Occupancy	87%
WALT	2.5 years (as at 31 March 2022)

Industrial Fund Assets (cont.)

After 31 March 2022


Boundary lines indicative only

Castle Rock Business Park, Christchurch

Land area	79,456m²
Net lettable area	33,527m²
Major tenants	Argus Heating, Xtend-Life Natural Products (Intl) Limited, Macpac New Zealand Limited, Longbeach Holdings Limited, Asaleo Care New Zealand Limited
Purchase price	$53,758,095
Valuation	$65,310,000
Occupancy	94%
WALT	3.1 years (as at 31 March 2022)


Boundary lines indicative only

62 Columbia Avenue, Christchurch

Land area	30,759m²
Net lettable area	12,932m²
Major tenants	Value Tyres Limited
Purchase price	$21,800,000
Valuation	$22,000,000
Occupancy	100%
WALT	6.3 years (as at 31 March 2022)

Adjusted Funds From Operations (AFFO)

For the year ended 31 March 2022

The dividend policy is to distribute between 90% and 110% of Adjusted Funds from Operations (AFFO) over a full financial year. The table below is a reconciliation between the net profit as per the consolidated statement of comprehensive income and AFFO.

Reconciliation of Net Profit to AFFO

	2022 $000 (unaudited)	2022 PFI[1] $000 (unaudited)	2021 $000 (unaudited)
Net profit	127,406	20,777	78,268
Change in fair value of investment property	(105,354)	(4,641)	(61,305)
Change in fair value of interest rate swaps	(7,314)	(1,486)	(1,627)
Gain on disposal of investment property	-	-	(1,193)
Initial finance costs amortised	165	99	192
Accrual for fixed rental growth	(502)	(380)	(372)
Amortisation of rental relief due to COVID-19	154	-	159
Amortisation of capitalised incentives and leasing fees	134	352	119
Depreciation of right-of-use asset (IFRS 16)	57	57	57
Repayment of lease liability (IFRS 16)	(19)	(19)	(16)
Underwriting loan component of underwrite fee	1,451	1,451	-
Funds from operations (FFO)	**16,178**	**16,210**	**14,282**
Lease incentives granted	(354)	(567)	(5)
Leasing fees paid	(405)	(340)	(209)
Rental relief due to COVID-19	(267)	-	(573)
Maintenance capex	(1,073)	(899)	(2,833)
AFFO	**14,079**	**14,404**	**10,662**
Ordinary dividends	15,576	15,576	10,885
FFO payout ratio on ordinary dividends	**96%**	**96%**	**76%**
AFFO payout ratio on ordinary dividends	**111%**	**108%**	**102%**
Special dividend (to cover PIE tax on land sale)	-	-	379
FFO payout ratio on total dividends	**96%**	**96%**	**79%**
AFFO payout ratio on total dividends	**111%**	**108%**	**106%**

AFFO is a non-GAAP financial measure adopted to assist the Group in assessing the underlying operating performance and funds available for distribution. It is important because it is the measure used when determining future distributions under the dividend policy. AFFO does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities.

The above reconciliation has not been audited by KPMG.

[1] PFI represents the prospective financial information for the Fund issued on 11 May 2021.

Selected Financial Information

For the reporting period ended 31 March 2022

	2022 $000 (unaudited)	2022 PFI[1] $000 (unaudited)	2021 $000 (unaudited)
Gross property income	32,325	29,431	26,676
Property operating expenses	(6,299)	(5,887)	(4,995)
Net property income	26,026	23,544	21,681
EBITDA	135,543	27,046	83,605
Net profit before tax	127,406	20,777	78,268
Net profit after tax	127,406	20,777	78,268
Funds From Operations (FFO)	16,178	16,210	14,282
Adjusted Funds From Operations (AFFO)	14,079	14,404	10,662
Dividends on all equity securities of the issuer	(15,576)	(15,576)	(11,264)
Net cash flows from operating activities	16,871	14,950	14,855
Total assets	659,104	469,800	410,924
Cash and cash equivalents	2,361	500	1,112
Total liabilities	217,876	135,208	158,690
Total debt and lease liabilities	212,423	130,818	152,242
Net tangible assets	441,228	334,592	252,234
Gearing ratio	32%	28%	37%
Interest cover ratio (EBITDA basis)	3.50	3.38	3.93

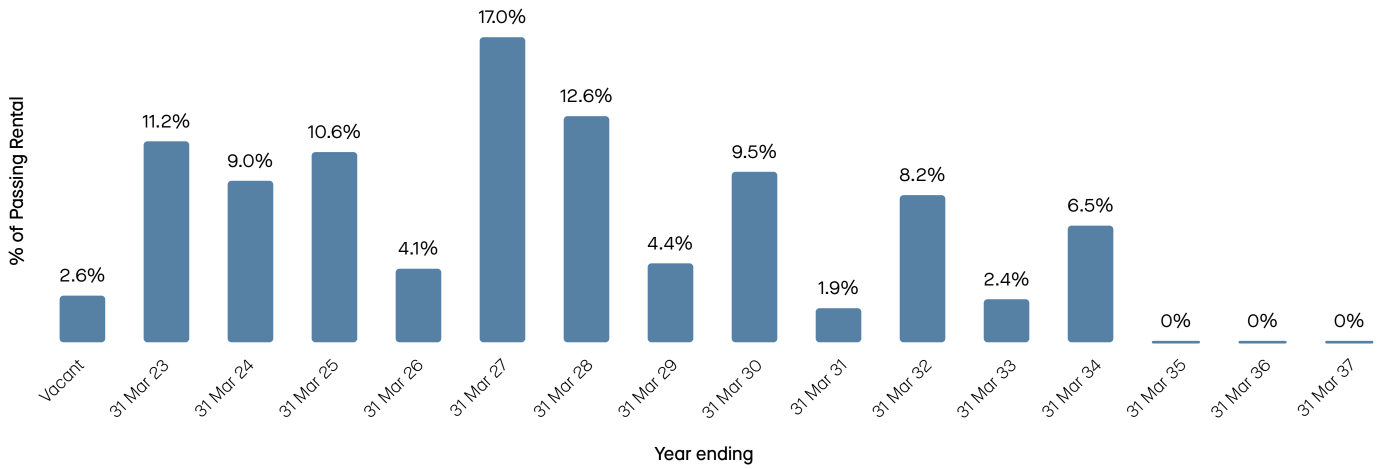
The above table has not been audited by KPMG.

[1] PFI represents the prospective financial information for the Fund issued on 11 May 2021.

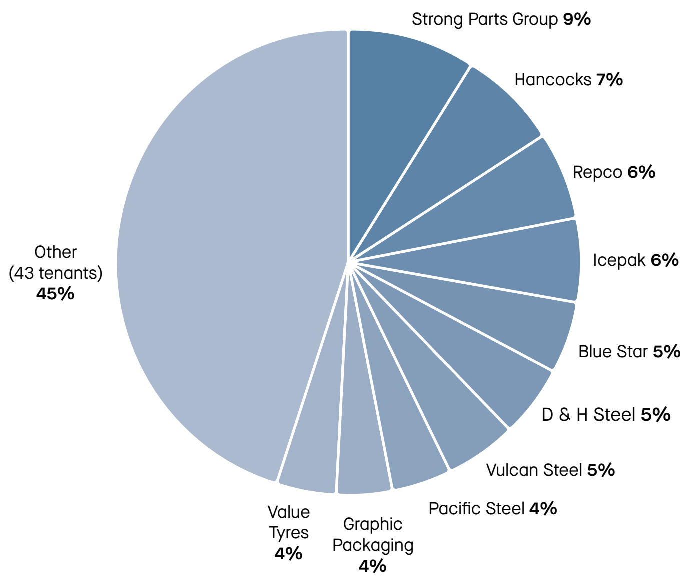
Property Portfolio Metrics

As at 31 March 2022

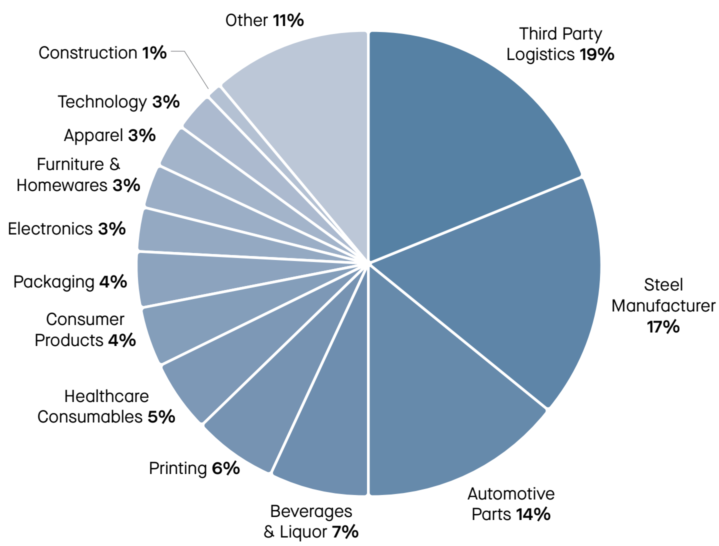
15 Year Lease Expiry Profile



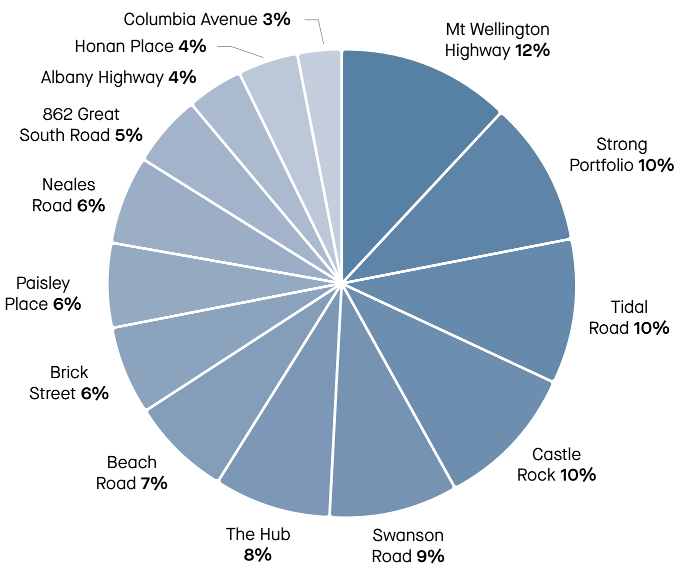
Largest 10 Tenants (Passing Rental)



Tenant Industry Mix (Passing Rental)



Portfolio Weighting (Valuation)



Financial Statements

For the year ended 31 March 2022

78 Tidal Road, Mangere, Auckland

Financial Statements Contents

Consolidated statement of comprehensive income

For the year ended 31 March 2022

	Note	2022 $ '000	2021 $ '000
Gross rental income	3	32,263	26,624
Other income		62	52
Gross property income		32,325	26,676
Recoverable property operating expenses	3	(4,886)	(3,860)
Non-recoverable property operating expenses	3	(1,361)	(1,097)
Property investigation expenses		(52)	(38)
Net property income		26,026	21,681
Administration expenses	3	(569)	(440)
Management fees	16	(2,655)	(1,833)
Operating profit before finance expenses		22,802	19,408
Net finance expenses	3	(7,984)	(5,184)
Lease finance expense (ground lease)	18	(80)	(81)
Operating profit		14,738	14,143
Change in fair value of investment property	5	105,354	61,305
Realised gain on sale of property	6	-	1,193
Change in fair value of interest rate swaps	9	7,314	1,627
Net profit		127,406	78,268
Other comprehensive income		-	-
Total comprehensive income attributable to shareholders		**127,406**	**78,268**

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 27 TO 52

Consolidated statement of changes in equity

For the year ended 31 March 2022

		Capital $ '000	Retained Earnings $ '000	Total $ '000
Equity as at 1 April 2021		179,788	72,446	252,234
Total comprehensive income for the year		-	127,406	127,406
New capital from shares issued during the year		80,000	-	80,000
Costs in relation to issuing shares		(2,836)	-	(2,836)
Dividends paid to shareholders	15	-	(15,576)	(15,576)
Equity as at 31 March 2022		**256,952**	**184,276**	**441,228**
Equity as at 1 April 2020		179,788	5,442	185,230
Total comprehensive income for the year		-	78,268	78,268
Dividends paid to shareholders	15	-	(11,264)	(11,264)
Equity as at 31 March 2021		**179,788**	**72,446**	**252,234**

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 27 TO 52

Consolidated statement of financial position

As at 31 March 2022

	Note	2022 $ '000	2021 $ '000
Current assets			
Cash and cash equivalents		2,361	1,112
Trade and other receivables	10	344	271
Total current assets		2,705	1,383
Non-current assets			
Investment property	5	651,235	408,301
Software intangible asset		4	19
Fair value of interest rate swaps	9	3,996	-
Right-of-use assets (ground lease)	18	1,164	1,221
Total non-current assets		656,399	409,541
Total assets		**659,104**	**410,924**
Current liabilities			
Trade and other payables	11	4,277	2,201
Dividends payable	12	1,386	1,029
Fair value of interest rate swaps	9	-	285
Lease liabilities (ground lease)	18	21	19
Total current liabilities		5,684	3,534
Non-current liabilities			
Borrowings	7	211,100	150,900
Capitalised borrowing costs	7	(210)	(100)
Fair value of interest rate swaps	9	-	3,033
Lease liabilities (ground lease)	18	1,302	1,323
Total non-current liabilities		212,192	155,156
Equity		441,228	252,234
Total liabilities and equity		**659,104**	**410,924**

These financial statements have been issued for and on behalf of the Company by :

Robert (Mark) Petersen
Director of Centuria NZ Industrial Fund Limited

Mark Francis
Director of Centuria NZ Industrial Fund Limited

Date: 26 July 2022

THESE FINANCIAL STATEMENTS SHOULD BE READ IN CONJUNCTION WITH THE NOTES ON PAGES 27 TO 52

Consolidated statement of cash flows

For the year ended 31 March 2022

	Note	2022 $ '000	2021 $ '000
Cash flows from operating activities			
Cash was provided from :			
Rental receipts		26,663	22,145
Property operating expense recoveries		4,917	4,738
Interest received		-	4
Other income		62	52
Tenant security deposits received		-	86
Goods and services tax received		72	38
		31,714	27,063
Cash was applied to :			
Payments to suppliers		(8,072)	(6,973)
Leasing fees paid		(502)	(3)
Lease incentives paid		-	(91)
Interest paid (ground lease)		(80)	(81)
Interest paid		(6,189)	(5,060)
		(14,843)	(12,208)
Net cash flow from operating activities	4	**16,871**	**14,855**
Cash flows from investing activities			
Cash was provided from :			
Sale of investment property		-	4,480
		-	4,480
Cash was applied to :			
Transaction costs in relation to sale of investment property		-	(112)
Investment property additions		(2,295)	(2,596)
Purchase of investment property		(133,750)	-
		(136,045)	(2,708)
Net cash flow from investing activities		**(136,045)**	**1,772**
Cash flows from financing activities			
Cash was provided from :			
Subscriptions for shares issued		80,000	-
Borrowings		60,200	-
		140,200	-
Cash was applied to :			
Loan principal repayments		-	(5,600)
Dividends and PIE tax		(15,194)	(10,882)
Costs in relation to issuing shares		(2,836)	-
Borrowing costs		(1,728)	-
Repayment of lease liabilities (ground lease)		(19)	(16)
		(19,777)	(16,498)

Consolidated statement of cash flows (cont.)

For the year ended 31 March 2022

	Note	2022 $ '000	2021 $ '000
Net cash flow from financing activities		**120,423**	**(16,498)**
Net increase in cash and cash equivalents		1,249	129
Cash and cash equivalents at start of year		1,112	983
Cash and cash equivalents at end of year		**2,361**	**1,112**

Notes to the consolidated financial statements

Note 1: General information

a) Reporting entity

The consolidated financial statements are for Centuria NZ Industrial Fund Limited (the "Company") and its subsidiaries Centuria NZ Industrial Fund No.1 Limited, and Centuria NZ Industrial Fund No.2 Limited (collectively, the "Group").

The Company is a limited liability company incorporated in New Zealand and is registered under the New Zealand Companies Act 1993. The Company is a FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

The registered office is located at Level 2, Bayleys House, 30 Gaunt Street, Wynyard Quarter, Auckland 1010.

The nature of the operations and principal activities of the Group are investment in industrial property. The Manager, Centuria Funds Management (NZ) Limited, is responsible for the day to day management of the Group.

b) Basis of preparation

The consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purpose of complying with NZ GAAP, the Company and its subsidiaries are for-profit entities.

The financial statements have also been prepared on a historical cost basis, except where otherwise identified.

The consolidated financial statements are presented in New Zealand dollars which is the Group's functional currency and are rounded to the nearest thousand dollars ($'000).

c) COVID-19 global pandemic

Effective from 18 August 2021, the Government enacted an amendment to the Property Law Act in response to the continued economic impacts of COVID-19. The amendment implied a new clause into every lease (where there was not already an equivalent clause) which applied if there was an epidemic and tenants were unable to gain access to their premises to fully conduct their operations because of reasons of health or safety relating to the epidemic. Where the new clause applies, only "a fair proportion" of the rent is payable.

d) Statement of compliance

The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable standards. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

e) Comparatives

Where applicable, certain comparatives have been restated to comply with the accounting presentation adopted in the current year.

f) Goods and service tax

The consolidated financial statements have been prepared on a goods and services tax exclusive basis, with the exception of trade receivables and trade payables which are stated inclusive of goods and services tax.

g) Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the Company and its subsidiaries as at and for the year ended 31 March 2022.

Subsidiaries are all those entities over which the Company is exposed, or has rights, to variable returns from its investment with the entity and has the ability to affect those returns through its power over the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered, if those rights are substantive, when assessing whether a Company controls another entity.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Note 2: Critical accounting estimates, assumptions and judgements

The preparation of the consolidated financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Group.

The estimates and underlying assumptions are reviewed on an ongoing basis. Although the Group has internal control systems in place to ensure that estimates can be reliably measured, actual results may differ from these estimates. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Fair value measurements

A number of the Group's accounting policies and disclosures require measurement at fair value. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique adopted as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: 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: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The areas involving a high degree of judgement or areas where assumptions are significant to the Group include the following:

Valuations of investment properties - Investment property (Note 5).

Valuations of derivative financial instruments - Interest rate swaps (Note 9).

Going concern

The financial statements have been prepared under the going concern assumption, which assumes the Group will be able to pay its debts as they fall due in the normal course of business. As part of management's assessment of the Group's ability to continue as a going concern, the following uncertainties relating to events or conditions have been taken into account:

- At 31 March 2022, the current liabilities of the Group exceeded its current assets by $2,979,000.

The Board has considered all information available at the date of signing the consolidated financial statements (refer to subsequent event Note 21) and is of the opinion that the Group is a going concern based on:

- Available liquidity levels, undrawn and available debt on the loan facilities and forecast operating cashflows for at least 12 months being sufficient to cover future obligations when they fall due other than the bank loan;
- Forecast cashflows have taken into consideration tenant known circumstances, expected future expenses and provisions to fund any anticipated cash requirements in the current environment;
- Weighted average lease term remaining is 5.4 years.

Notes to the consolidated financial statements (cont.)

Note 3: Revenue and expenses

	2022 $ '000	2021 $ '000
Gross rental income		
Rental income	27,320	23,088
Capitalised lease incentive adjustments	(134)	(119)
Adjustment due to capitalised fixed rental growth	502	372
Rental abatement due to COVID-19	(157)	(389)
Rental relief due to COVID-19	(267)	(573)
Adjustment to straight-line COVID-19 rental relief	113	414
Property operating services recovered	4,886	3,831
Total gross rental income	**32,263**	**26,624**

Rental abatements were provided to some of the tenants due to COVID-19 and this has reduced the rental income for the year. Total abatements for the year ended 31 March 2022 are $157,000 (2021: $389,000).

In addition rental relief was provided to some of the tenants due to COVID-19 which was classified as a lease modification. Total relief granted for the year ended 31 March 2022 is $267,000 (2021: $573,000). The relief granted has been capitalised and is amortised on a straight-line basis over the remaining lease period.

	2022 $ '000	2021 $ '000
Recoverable property operating expenses		
Rates and insurance	3,024	2,684
Utilities	1,000	492
Repairs and maintenance	657	507
Property management fees	205	177
Total recoverable property operating expenses	**4,886**	**3,860**

	2022 $ '000	2021 $ '000
Non-recoverable property operating expenses		
Repairs and maintenance	495	586
Property management fees	249	160
Rates and insurance	368	271
Legal and professional fees	73	-
Utilities	8	4
Other expenses	111	19
Depreciation of right-of-use asset (ground lease)	57	57
Total non-recoverable property operating expenses	**1,361**	**1,097**

Notes to the consolidated financial statements (cont.)

	2022 $ '000	2021 $ '000
Administration expenses		
Valuation fees	207	113
Investment compliance expenses	56	54
Audit and assurance fees	116	78
Legal and professional fees	20	14
Insurance	29	21
Director fees	65	88
Other administration expenses	76	72
Total administration expenses	**569**	**440**

	2022 $ '000	2021 $ '000
Net finance expenses		
Bank loan interest and fees	6,368	4,996
Bank interest earned	-	(4)
Amortisation of capitalised borrowing costs	165	192
Underwriting loan fee	1,451	-
Total net finance expenses	**7,984**	**5,184**

	2022 $ '000	2021 $ '000
Auditor's remuneration		
Financial statement audit - KPMG	116	-
Financial statement audit - Ernst & Young	-	78
Total remuneration for audit services	**116**	**78**
Investigating accountant services - Ernst & Young	80	-
Total remuneration for non-audit services	**80**	**-**
Total auditor's remuneration	**196**	**78**

During the year the Group changed its financial statement auditor from Ernst & Young to KPMG.

During the year Ernst & Young Strategy and Transactions Limited provided investigating accountant services to the Group in relation to a proposed offer of ordinary shares in the Company. These costs have been recognised directly in equity as an issue cost.

Notes to the consolidated financial statements (cont.)

Accounting policy - revenue and expenses

Revenue recognition

The Group recognises revenue from the following principal activities:

Gross rental income

Rental income is recognised on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the investment property is diminished. Lease incentives provided to tenants are amortised on a straight-line basis over the non-cancellable portion of the lease to which they relate, as a reduction of rental income.

Income generated from property operating expenses recovered from tenants is included in gross rental income with the associated property operating expenses shown in operating expenses. Operating expense recoveries are recognised as service charge income when a performance obligation is satisfied by transferring control of goods or services to tenants that are recoverable in accordance with the terms and conditions of lease agreements. A performance obligation is a promise in a lease to provide a distinct good or service (or a bundle of goods and services) to a tenant.

Rental concessions provided as a result of the COVID-19 pandemic are categorised as either rental abatement or rental relief.

Rental abatement reflects rent and outgoings concessions provided to tenants under lease agreements which contractually entitle a tenant to such concessions. Rental abatement is recognised as a reduction in rental income in the reporting period it is provided.

Rental relief reflects rent and outgoings concessions provided to tenants under lease agreements which do not contractually entitle a tenant to such concessions. Rental relief is treated as a lease modification and the reduction in rental income is spread over the remaining lease term.

Finance income

Finance income consists of interest income and is recognised as revenue on an accrual basis using the effective interest method.

Expense recognition

The Group recognises expenses from the following principal activities:

Property operating expenses

Property operating expenses are categorised into recoverable and non-recoverable property operating expenses in accordance with lease agreements. Leasing fees are capitalised and amortised over the lease term to which they relate.

Finance expenses

Finance expenses principally consist of interest payable on borrowings which is recognised as an expense using the effective interest method. Associated transaction costs are capitalised and amortised over the term of the borrowing facility to which they relate.

Taxation

As a multi-rate portfolio investment entity the Company reflects income tax as amounts paid on behalf of shareholders. No income tax expense or benefit is recognised by the Company in the statement of comprehensive income. The Company is responsible for withholding the taxation payable by each shareholder in accordance with the taxation laws pertaining to portfolio investment entities. The taxation due or receivable from Inland Revenue is reflected in the statement of financial position, based on the attribution of taxable income to each shareholder. All taxable profits or losses are attributed to the shareholders based on the proportion of their interest in the Company.

Notes to the consolidated financial statements (cont.)

Note 4: Reconciliation of the net profit to the net cash flow from operating activities

	2022 $ '000	2021 $ '000
Net profit	127,406	78,268
Adjustments for:		
Change in fair value of investment property	(105,354)	(61,305)
Realised gain on sale of property	-	(1,193)
Change in fair value of interest rate swaps	(7,314)	(1,627)
Underwriting loan fee	1,451	-
Amortisation of capitalised borrowing costs	165	192
Adjustment due to capitalised fixed rental growth	(502)	(372)
Rental relief due to COVID-19	(267)	(573)
Amortisation of rental relief due to COVID-19	154	159
Capitalisation of lease incentives	(354)	(91)
Amortisation of capitalised lease incentives	134	119
Capitalisation of leasing fees	(405)	(209)
Amortisation of capitalised leasing fees	55	8
Amortisation of software intangible assets	15	15
Depreciation of right-of-use assets (ground lease)	57	57
Changes to assets and liabilities relating to operating activities		
(Increase)/decrease in trade and other receivables	(71)	960
Increase/(decrease) in trade and other payables	1,701	447
Net cash flow from operating activities	**16,871**	**14,855**

Accounting policy - cash and cash equivalents

Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks which are subject to an insignificant risk of changes in value and are readily accessible.

Statement of cash flows

The following is the definition of the terms used in the statement of cash flows:

- Operating activities are the principal revenue producing activities of the Group and other activities that are not investing or financing activities;
- Investing activities are the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents; and
- Financing activities are activities that result in changes in the size and composition of the contributed equity and borrowings of the Group.

Notes to the consolidated financial statements (cont.)

Note 5: Investment property

a) Reconciliation of carrying amount

The following table shows a reconciliation from the opening balances to the closing balances for investment property:

	Valuer	Capitalisation rate %	Fair value 2021 $ '000	Capital movements 2022 $ '000	Fair value gain/(loss) 2022 $ '000	Fair value 2022 $ '000
862-864 Great South Road	CBRE	4.50	26,400	670	7,180	34,250
12 Brick Street	Bayleys	4.25	31,700	121	5,979	37,800
20 Paisley Place	Bayleys	4.75	31,500	162	5,188	36,850
The Hub[1]	Bayleys	6.89	52,550	89	1,111	53,750
265 Albany Highway	Bayleys	4.75	23,800	(23)	4,623	28,400
510 Mt Wellington Highway	CBRE	4.25	56,500	2,505	19,395	78,400
116-152 Swanson Road	CBRE	5.12	47,350	(44)	11,594	58,900
5 & 21 Beach Road	Bayleys	5.25	31,500	77	11,423	43,000
Castle Rock Business Park	JLL	6.40	57,200	(1)	8,111	65,310
27-29 Neales Road	JLL	4.25	29,100	(15)	6,415	35,500
48 Honan Place	CBRE	4.50	20,650	1	4,399	25,050
78 Tidal Road	JLL	3.75	-	49,503	16,147	65,650
62 Columbia Avenue	JLL	5.50	-	22,260	(260)	22,000
3 Edinburgh Street	JLL	4.38	-	10,621	429	11,050
9 Mana Place	JLL	4.00	-	10,856	1,394	12,250
11 Mana Place	JLL	4.00	-	5,424	726	6,150
16 Akatea Road	JLL	4.38	-	4,954	71	5,025
44 Bancroft Crescent	JLL	4.38	-	3,542	208	3,750
55-57 Angle Street	JLL	4.25	-	7,348	402	7,750
63 Angle Street	JLL	4.38	-	4,413	87	4,500
75-77 Captain Springs Road	JLL	4.25	-	15,169	731	15,900
Fair value of investment property - independent valuation			408,250	137,631	105,354	651,235
Work in progress						-
Carrying amount at end of year						651,235
Right-of-use asset (ground lease)						1,164
Total investment property						652,399

Notes to the consolidated financial statements (cont.)

	Valuer	Capitalisation rate %	Fair value 2020 $ '000	Capital movements 2021 $ '000	Fair value gain/(loss) 2021 $ '000	Fair value 2021 $ '000
862-864 Great South Road	JLL	5.25	21,800	32	4,568	26,400
12 Brick Street	Bayleys	4.88	26,400	83	5,217	31,700
20 Paisley Place	Bayleys	5.50	27,300	153	4,047	31,500
The Hub[1]	Bayleys	6.77	48,230	136	4,184	52,550
265 Albany Highway	Bayleys	5.65	20,700	154	2,946	23,800
510 Mt Wellington Highway	Bayleys	5.25	39,075	110	17,315	56,500
116-152 Swanson Road	Bayleys	5.80	37,050	2,470	7,830	47,350
5 & 21 Beach Road	Bayleys	5.88	26,250	339	4,911	31,500
Castle Rock Business Park	JLL	7.00	55,150	17	2,033	57,200
27-29 Neales Road	JLL	4.75	25,250	96	3,754	29,100
48 Honan Place	CBRE	4.75	16,150	-	4,500	20,650
Fair value of investment property - independent valuation			343,355	3,590	61,305	408,250
Work in progress						51
Carrying amount at end of year						408,301
Right-of-use asset (ground lease)						1,221
Total investment property						409,522

1. The Hub comprises 17-23 Toop Street, 25 Toop Street, 109-117 Port Road and 101-103 Port Road.

The following table shows a breakdown of the movement in investment property:

	2022 $ '000	2021 $ '000
Carrying amount at beginning of year	408,250	343,355
Investment property additions	133,750	-
Capital expenditure	2,696	2,631
Movement in lease incentives, leasing fees, and fixed rental income	1,185	959
Change in fair value of investment property	105,354	61,305
Fair value of investment property - independent valuation	**651,235**	**408,250**
Work in progress	-	51
Carrying amount at end of year	**651,235**	**408,301**
Right-of-use asset (ground lease)	1,164	1,221
Total investment property	**652,399**	**409,522**

Notes to the consolidated financial statements (cont.)

Investment property is measured at fair value. Each property was valued as at 31 March 2022 by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The valuations have been reviewed by the Manager and benchmarked against other comparable valuations in the Manager's portfolio. Following this review the valuations were determined by the Board to be reasonable as at 31 March 2022. However, in the current environment valuations may change more often and by larger amounts than would normally be the case.

b) Fair value hierarchy

The fair value measurement for investment property has been categorised as a Level 3 fair value (refer to Note 2) based on the inputs to the valuation technique used being based on unobservable inputs. There were no transfers between levels during the year.

c) Valuation techniques and unobservable inputs

Valuation methodology	
Purpose:	Financial reporting
Basis of valuation:	The determination of the values stated were based on market value subject to existing tenancies and occupational arrangements.
Assessment approach:	Discounted cash flow and income capitalisation approach

Valuation summary	2022	2021
Market capitalisation rate (%)[1]	3.75% - 7.00%	4.75% - 7.00%
Market rental ($ per sqm)[2]	$33 - $329	$85 - $247
Discount rate (%)[3]	5.50% - 8.00 %	6.25% - 8.00%
Rental growth rate (%)[4]	1.77% - 3.21%	1.55% - 2.50%
Terminal capitalisation rate (%)[5]	4.00% - 8.38%	5.00% - 7.96%

1. The capitalisation rate applied to the market rental to asses a property's value, determined through analysis of similar transactions taking into account location, weighted average lease term, tenant covenant, size and quality of the property.
2. The valuers' assessment of the net market income which a property is expected to achieve under a new arm's length leasing transaction. Includes both leased and vacant areas.
3. The rate applied to future cash flows reflecting transactional evidence from similar properties.
4. The rate applied to the market rental over the future cash flow projection.
5. The rate used to assess the terminal value of the property.

The valuations reflect: the quality of tenants in occupation; the allocation of maintenance and insurance responsibilities between the owner and tenants; and the remaining economic life of the properties. The valuations assume on expiry of current lease terms the owner will be able to re-tenant any vacated space at market rates. Assumptions around future capital expenditure requirements and letting up allowances have also been factored into the valuations.

Impact of COVID-19 on the valuation

The valuations take into account the impact of COVID-19 in the assumptions adopted, including capitalisation rates, discount rates and market rental growth rates. Given the circumstances of COVID-19, the valuers have had regard to a range of inputs and market evidence in coming to their opinion of "market value".

The following table outlines the valuation techniques used in measuring fair value of the investment property and the inter-relationship between the key inputs and fair value measurement.

Valuation technique	The estimated fair value would increase / (decrease) if:
Capitalisation approach This approach is considered a "point in time" view of an investment property's value, based on the current contract and market income and an appropriate market yield or return for a property. Capital adjustments are then made to the value to reflect under or over renting, pending capital expenditure and upcoming expiries, including allowances for lessee incentives and leasing costs.	- Capitalisation rate in perpetuity was lower (higher) - The assessed market rental was higher (lower)
Discounted cash flow approach The discounted cash flow method adopts a 10 year investment horizon and makes appropriate allowances for rental growth and leasing costs on lease expiries, with an estimated terminal value at the end of the investment period. The present value is a reflection of contract/market based income (inflows) and expenditure (outflows) projections over the 10 year period discounted at a market analysed return.	- Discount rate was lower (higher) - The terminal yield was lower (higher) - The assessed market rental was higher (lower)
Sales comparison approach The sales comparison approach is used to appraise both developed and undeveloped plots of land. It is based on a comparison of similar properties and plots, which is used to calculate the market value of the property. Comparison is made on a rate per square metre with adjustments made to the sales evidence for aspects such as time, location, quality and overall condition.	- Rate per square metre was higher (lower)

Among other factors, all valuation approaches consider the quality of the building and its location, tenant quality, lease terms and any lease incentive costs such as rent-free periods and other costs not paid by the tenant.

In arriving at the independent valuers' assessment of fair value they have considered the capitalisation, discounted cashflow and, for surplus land, sales comparison approach to the valuation.

Sensitivity analysis

A sensitivity analysis that shows how a change to capitalisation and discount rates affects the value of the Group's investment property portfolio is provided below. The metrics chosen are those single-value inputs where movements are likely to have the most significant impact on fair value of investment properties.

Capitalisation approach sensitivity	Capitalisation rate	Valuation $'000	Impact on valuation $'000	Impact on valuation %
Decrease in capitalisation rate (-0.25%)	-25bps	689,129	37,894	5.82%
Adopted valuation		**651,235**		
Increase in capitalisation rate (+0.25%)	+25bps	622,742	(28,493)	-4.38%

Discounted cash flow approach sensitivity	Discount rate	Valuation $'000	Impact on valuation $'000	Impact on valuation %
Decrease in discount rate (-0.25%)	-25bps	669,245	18,010	2.77%
Adopted valuation		**651,235**		
Increase in discount rate (+0.25%)	+25bps	634,286	(16,949)	-2.60%

Notes to the consolidated financial statements (cont.)

Accounting policy - investment property

Investment property is initially measured at cost, including transaction costs and is subsequently measured at fair value which reflects market conditions. Fair value is determined annually by independent valuers and adjusted for any amounts already allocated to other assets or liabilities. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the period in which they arise.

Subsequent expenditure is capitalised to the asset's carrying amount only where it is probable a future economic benefit will flow to the Group and cost can be reliably measured. All other repairs and maintenance costs are expensed as incurred.

Independent valuations are adjusted for the carrying value of capitalised fixed rental growth accruals, capitalised lease incentives and capitalised leasing fees (refer Note 3) as in determining the carrying amount of investment property under the fair value model, an entity does not double count assets or liabilities that are recognised as separate assets or liabilities.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the disposal of an investment property are recognised in profit or loss in the period of derecognition.

Right-of-use assets are measured on initial recognition of the initial lease liability, plus any initial indirect costs incurred, less any lease incentives received. Right-of-use assets that meet the definition of investment property are presented within investment property. Refer to Note 18.

Note 6: Property held for sale

	2022 $ '000	2021 $ '000
Carrying amount at beginning of year	-	3,175
Net sale price	-	(4,368)
Realised gain on sale of property	-	1,193
Carrying amount at end of year	**-**	**-**

4,550m^2 of land at 880 Great South Road was sold on 29 April 2020.

Accounting policy - property held for sale

The Group classifies investment property as held for sale when the carrying amount will be recovered through a sale transaction. The assets and liabilities must be held for immediate sale and the Group must be committed to selling the asset either through entering into a contractual sale and purchase agreement or by entering into a campaign to market the property sale with the clear intention of disposal. The sale must be highly probable, an active programme to locate a buyer must be in place and the disposal plan must have been initiated. A completed sale is expected to take place within one year from the date of classification.

Investment property held for sale is measured at the lower of its carrying amount immediately before classification as held for sale and fair value less costs to sell.

Notes to the consolidated financial statements (cont.)

Note 7: Borrowings

The Group has loans with ASB Bank Limited (ASB), Westpac New Zealand Limited (Westpac), Industrial and Commercial Bank of China Limited (ICBC) and Bank of China Limited (BOC) through a syndicated facility. Principal repayment is due on maturity with interest payable monthly at a floating rate. The borrowings are secured by way of a specific secuirty deed in respect of leases, a registered first mortgage over Group properties, and a general security deed over all assets of the Group.

Summary of loans **All Values in $'000s**	**2022**	**2021**
Facility A		
Loan maturity date	29/04/2023	29/04/2022
Syndicated facility drawn	80,000	132,000
Undrawn facility	-	-
Facility B		
Loan maturity date	29/04/2024	29/04/2022
Syndicated facility drawn	81,100	18,900
Undrawn facility	13,900	9,100
Facility C		
Tranche 1		
Loan maturity date	22/10/2024	-
Syndicated facility drawn	5,000	-
Undrawn facility	-	-
Tranche 2		
Loan maturity date	22/10/2024	-
Syndicated facility drawn	5,000	-
Undrawn facility	-	-
Tranche 3		
Loan maturity date	22/10/2024	-
Syndicated facility drawn	20,000	-
Undrawn facility	-	-
Tranche 4		
Loan maturity date	22/10/2025	-
Syndicated facility drawn	20,000	-
Undrawn facility	-	-
Weighted average cost of debt at balance date[1]	3.72%	3.06%

1. Includes interest rate swaps, margins and line fees.

Notes to the consolidated financial statements (cont.)

The drawn facility has 62% (2021: 48%) of the variable base rate portion of the interest rate hedged with interest rate swaps. Refer to Note 9.

The Group has complied with all borrowing covenants during the period. (2021: The Group has complied with all borrowing covenants during the period.)

Each bank's participation under the syndicated facility is set out in the table below:

31 March 2022 **All Values in $'000s**	**ICBC**	**BOC**	**ASB**	**Westpac**	**Total**
Facility drawn	20,000	20,000	85,550	85,550	211,100
Undrawn facility			6,950	6,950	13,900
	20,000	**20,000**	**92,500**	**92,500**	**225,000**

31 March 2021 **All Values in $'000s**	**ASB**	**Westpac**	**Total**
Facility drawn	72,600	78,300	150,900
Undrawn facility	-	9,100	9,100
	72,600	**87,400**	**160,000**

Borrowings summary	**2022** **$ '000**	**2021** **$ '000**
Drawn balance of facilities	211,100	150,900
Capitalised borrowing costs	(210)	(100)
Total borrowings	**210,890**	**150,800**

Accounting policy - borrowings

Borrowings are recognised initially at fair value (net of transaction costs) and are subsequently stated at amortised cost using the effective interest method. Under this method, directly attributable fees, costs, discounts and premiums are capitalised and spread over the expected life of the facility. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after balance date.

Note 8: Reconciliation of liabilities arising from financing activities

The table below reconciles movements in liabilities arising from financing activities (as classified in the statement of cash flows) that have occurred in the periods presented within the Group's consolidated financial statements.

2022	Borrowings due < 1 year $ '000	Borrowings due > 1 year $ '000	Associated borrowing costs $ '000	Lease liabilities $ '000	Total $ '000
As at 1 April 2021	-	150,900	(100)	1,342	152,142
Cash changes					
Changes arising from cash flows	-	60,200	(1,728)	-	58,472
Interest paid on lease liabilities	-	-	-	(80)	(80)
Ground rent paid	-	-	-	(19)	(19)
Non-cash changes					
Amortisation of capitalised borrowing costs	-	-	1,616	-	1,616
Interest expense on lease liabilities	-	-	-	80	80
As at 31 March 2022	**-**	**211,100**	**(210)**	**1,323**	**212,213**

2021	Borrowings due < 1 year $ '000	Borrowings due > 1 year $ '000	Associated borrowing costs $ '000	Lease liabilities $ '000	Total $ '000
As at 1 April 2020	-	156,500	(292)	1,358	157,566
Cash changes					
Changes arising from cash flows	-	(5,600)	-	-	(5,600)
Interest paid on lease liabilities	-	-	-	(81)	(81)
Ground rent paid	-	-	-	(16)	(16)
Non-cash changes					
Amortisation of capitalised borrowing costs	-	-	192	-	192
Interest expense on lease liabilities	-	-	-	81	81
As at 31 March 2021	**-**	**150,900**	**(100)**	**1,342**	**152,142**

Total fees charged in relation to the underwriting loan are included in associated borrowing costs and were fully amortised during the year.

Notes to the consolidated financial statements (cont.)

Note 9: Interest rate swaps

The Group has entered into the following interest rate swap agreements that exchange the variable base rate with a fixed rate on notional amounts of the loan as detailed in the table below:

2022	**Notional amount $ '000**	**Start Date**	**Expiry date**	**Fixed base rate**
Swap 3	8,000	15/06/2018	30/06/2023	2.92%
Swap 4	52,000	28/03/2019	5/04/2024	2.34%
Swap 5	50,000	5/10/2021	7/10/2024	1.67%
Swap 6	20,000	5/10/2021	6/10/2025	1.79%
	130,000			

2021	**Notional amount $ '000**	**Start Date**	**Expiry date**	**Fixed base rate**
Swap 1	12,000	3/04/2018	31/03/2022	2.78%
Swap 3	8,000	15/06/2018	30/06/2023	2.92%
Swap 4	52,000	28/03/2019	5/04/2024	2.34%
	72,000			

The total effective weighted average interest rate payable on the borrowings, including the lending margin, the hedged and the unhedged portion of borrowings at year end is 3.72% (excluding amortised costs) (2021: 3.06% (excluding amortised costs)).

	2022 $ '000	**2021 $ '000**
Fair value of interest rate swaps at beginning of year	(3,318)	(4,945)
Change in fair value of interest rate swaps	7,314	1,627
Fair value of interest rate swaps at end of year	**3,996**	**(3,318)**

Accounting policy - interest rate swaps

The Group uses interest rate swaps to hedge its exposure to interest rate risks arising from borrowings. Interest rate swaps are recognised at fair value and any resulting gain or loss on re-measurement is recognised in profit and loss. The Group does not apply hedge accounting.

The Group applies Level 2 criteria of the fair value hierarchy in determining the fair value of its interest rate swaps. The fair value of interest rate swaps is obtained externally and is the estimated amount the Group would receive or pay to terminate the swaps at balance date. The valuation technique calculates the gain or loss by comparing the present value of cash flows using current market interest rates and comparing these to the present value of future cashflows under the swap agreement. The fair value estimate is not subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty.

Notes to the consolidated financial statements (cont.)

Note 10: Trade and other receivables

	2022 $ '000	2021 $ '000
Trade receivables	215	227
Other receivables	118	35
Prepayments	11	9
	344	**271**

Accounting policy - trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost, less an allowance for any impairment losses.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

At each reporting period an assessment is made if there has been a significant increase in credit risk since the asset was acquired to determine if an expected loss provision should be recorded. If the risk is assessed as significantly increased, an amendment is made to the expected loss provision. The expected loss provision is recognised in the profit or loss and subsequent recoveries of amounts written off are recognised in the profit or loss. Trade receivables are non-interest bearing and on 30 day terms.

Note 11: Trade and other payables

	2022 $ '000	2021 $ '000
Trade payables	254	134
Accrued expenses	2,739	1,089
Accrued interest	407	228
Rent in advance	-	210
Tenant security deposits	86	86
PIE tax payable	234	210
GST payable	319	243
Other payables	238	1
	4,278	**2,201**

Accounting policy - trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. These amounts represent liabilities for goods and services provided to the Group prior to year end which are unpaid and arise when the Group becomes obliged to make future payments in respect to the purchase of goods and services. As trade and other payables are usually paid within 30 days they are not discounted.

Notes to the consolidated financial statements (cont.)

Note 12: Dividends payable

2022	Date declared	Date paid	$ '000
Dividend for the period 1 March 2022 to 31 March 2022	30/03/2022	20/04/2022	1,386
			1,386

2021	Date declared	Date paid	$ '000
Dividend for the period 1 March 2021 to 31 March 2021	16/03/2021	20/04/2021	1,029
			1,029

Note 13: Financial risk management

The main risks arising from the normal course of the Group's business are interest rate risk, credit risk and liquidity risk.

Interest rate risk

Interest rate risk is the risk that the values and future cash flows of the Group's assets and liabilities will fluctuate due to changes in market interest rates. The Group is exposed to interest rate risk primarily through its borrowings. Management actively review exposure through sensitivity analysis in strategic reviews. The level of borrowings is disclosed in Note 7.

To manage the risk the Group may enter into interest rate swaps or fixed rate borrowing agreements. For swaps, the Group agrees to exchange at specified intervals, the difference between fixed and variable base rate interest amounts calculated by reference to an agreed-upon notional principal amount.

As at balance date, the Group had the following assets and liabilities exposed to interest rate risk:

	2022 $ '000	2021 $ '000
Cash and cash equivalents	2,361	1,112
Borrowings:		
Unhedged	(81,100)	(78,900)
Hedged	(130,000)	(72,000)
Fair value of interest rate swaps	3,996	(3,318)

The following demonstrates the sensitivity to the Group profit and equity, resulting from a reasonably possible change in interest rates, after the impact of hedging with all other variables held constant.

	2022 $ '000	2021 $ '000
Net impact on profit and equity (+1%)	2,105	2,598
Net impact on profit and equity (-1%)	(2,105)	(2,598)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities as and when they fall due.

The Group's policy for management of liquidity risk is to maintain a minimum level of funds to meet working capital requirements. The Group manages its risk by monitoring cash flow on an ongoing basis.

Liquidity risk in relation to the equity of the Group is low as there are restrictions on shareholders should they wish to liquidate their investment.

The following table details the remaining contractual maturity for the Group's financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay and all interest rate variables being held constant.

Interest payable on borrowings is calculated up to loan expiry. Refer to Note 7 for further details on borrowings. Interest payable on swaps is calculated up to swap expiry. Refer to Note 9 for further details on swaps.

2022	< 1 Year $ '000	1 - 5 Years $ '000	> 5 Years $ '000	Total $ '000
Financial liabilities				
Payables	4,278	-	-	4,278
Borrowings	-	211,100	-	211,100
Interest payable on borrowings	7,090	6,215	-	13,305
Interest payable on swaps	1,287	1,477	-	2,764
Lease finance cost (ground lease)	78	298	652	1,029
Total financial liabilities	**12,733**	**219,090**	**652**	**232,476**

2021	< 1 Year $ '000	1 - 5 Years $ '000	> 5 Years $ '000	Total $ '000
Financial liabilities				
Payables	2,201	-	-	2,201
Borrowings	-	150,900	-	150,900
Interest payable on borrowings	3,277	252	-	3,529
Interest payable on swaps	1,640	2,800	-	4,440
Lease finance cost (ground lease)	80	310	718	1,108
Total financial liabilities	**7,198**	**154,262**	**718**	**162,178**

Credit risk

Credit risk is the risk that the counterparty to a transaction with the Group will fail to discharge its obligations, causing the Group to incur a financial loss. Financial instruments which potentially subject the Group to credit risk consist of cash and cash equivalents and trade and other receivables. The Group's policy is to assess the creditworthiness of prospective tenants. The Group manages its exposure to credit risk on an ongoing basis, through regular communication with tenants and by receiving rental income monthly in advance. Maximum exposures to credit risk at balance date are the carrying amounts of financial assets in the consolidated statement of financial position. There were no impaired assets at balance date.

Notes to the consolidated financial statements (cont.)

Note 14: Capital management

When managing capital, the Group's objective is to continue as a going concern as well as to maintain optimal returns to shareholders.

As the market is constantly changing, management and the Board consider capital management initiatives. The Board has the discretion to change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell investment property to reduce borrowings. These are communicated with shareholders if and when they occur.

The Group's capital structure includes borrowings and shareholder's equity. The Group monitors capital on the basis of borrowing covenant compliance, including the loan to value ratio and interest cover ratio.

Note 15: Equity

As at 31 March 2022, the Company had a total of 250,150,375 shares on issue. On 29 June 2021, the Company issued 60,150,375 shares at $1.33 per share.

Dividends declared to investors for the periods are detailed in the following tables:

2022	Annual rate per share cents	Monthly per share cents	Monthly for Group $ '000	Total for period $ '000
Period covered				
1 April 2021 to 29 June 2021	6.50	0.54	1,029	3,053
30 June 2021 to 31 March 2022	6.65	0.55	1,386	12,523
				15,576

2021	Annual per share Cents	Monthly per share cents	Monthly for Group $ '000	Total for period $ '000
Period covered				
1 April 2020 to 30 April 2020	3.25	0.27	515	515
1 May 2020 to 31 May 2020	5.00	0.42	792	792
1 June 2020 to 28 February 2021	6.00	0.50	950	8,550
1 March 2021 to 31 March 2021	6.50	0.54	1,029	1,029
One off dividend				
27 May 2020			379	379
				11,264

Note 16: Related parties

Centuria NZ Industrial Fund Limited Directors

Mark Francis
Mark Petersen
Jason Huljich
Michael Steur
John McBain (alternate director for Jason Huljich)
Bryce Barnett (alternate director for Mark Francis)

Centuria Funds Management (NZ) Limited (previously known as Augusta Funds Management Limited), was engaged as the Manager of the Scheme for the year ended 31 March 2022. Centuria Funds Management (NZ) Limited is a wholly owned subsidiary of Centuria Capital (NZ) No.1 Limited, which is ultimately 100% owned by Centuria Capital Limited.

The directors of Centuria Funds Management (NZ) Limited for the period were as follows:

Centuria Funds Management (NZ) Limited Directors

Mark Francis
Mark Petersen
Jason Huljich
Michael Steur
John McBain (alternate director for Jason Huljich)
Bryce Barnett (alternate director for Mark Francis)

Centuria Capital (NZ) No.1 Limited owned 25,015,037 shares in the Company as at 31 March 2022, being 10% of total shares (2021: 19,000,000 and 10%).

Bryce Barnett is a non-beneficiary trustee of a trust that holds 801,878 shares in the Company and received a share in the distributions disclosed in the equity note.

A close family member of Bryce Barnett holds 56,000 shares in the Company and received a share of the distributions disclosed in the equity note.

A close family member of key management holds 37,593 shares in the Company and received a share of the distributions disclosed in the equity note.

Transactions with related parties

Centuria Funds Management (NZ) Limited

	2022 $ '000	2021 $ '000
Management fees	2,655	1,833
Property management fees	454	337
Leasing fees	348	206
Acquisition fees	1,320	-
Sale fees	-	45
	4,777	**2,421**

Total fees charged by the Manager outstanding at balance date are $1,728,000 (2021: $729,000).

Some costs have been paid by Centuria Funds Management (NZ) Limited as agent for the Group and then recharged to the Group at cost. Such costs have not been included in the above.

Centuria Capital (NZ) No.1 Limited

	2022 $ '000	2021 $ '000
Dividends paid	1,522	1,075
	1,522	**1,075**

As at 31 March 2022, Centuria Capital (NZ) No.1 Limited held a total of 25,015,037 shares in the Company. On 29 June 2021, Centuria Capital (NZ) No.1 Limited subscribed for 6,015,037 shares at $1.33 per share. The table above shows the distributions that were paid to Centuria Capital (NZ) No.1 Limited during the financial year.

Centuria Platform Investments Pty Limited

	2022 $ '000	2021 $ '000
Underwriting loan fees	1,451	-
Underwriting fees	709	-
Dividends paid	62	-
	2,222	**-**

The capital raise on 29 June 2021 by the Group was underwritten by Centuria Platform Investments Pty Limited (CPIPL), a related party of the Manager, pursuant to an underwriting agreement and fee letter entered into between CPIPL and the Company under which CPIPL subscribed for 14,108,641 shares at $1.33 per share. Subsequent sell down of the shares issued to CPIPL was completed during the financial year and CPIPL had no shareholding as at 31 March 2022. The table above shows the distributions that were paid to CPIPL during the financial year. A fee of $2,160,000 (being 3% of the underwritten amount) was paid to CPIPL for its underwriting services. As part of the satisfaction of its underwriting commitment, CPIPL entered into an underwriting loan agreement with the Group which was not drawn upon.

Transactions with Directors

	2022 $ '000	2021 $ '000
Directors Fees		
Robert Mark Peterson	40	40
Guy French-Wright	-	19
Guy Weaver	-	23
Michael Steur	25	6
	65	**88**

No directors fees where charged by any other directors

There have been no other transactions with related parties during the year. Related party balances are unsecured and there are no guarantees given or received.

Note 17: Operating leases

The Group's investment property had the following minimum lease payments receivable under non-cancellable operating leases:

	2022 $ '000	2021 $ '000
Not later than one year	30,099	22,023
Between one and two years	27,331	20,260
Between two and three years	23,057	18,200
Between three and four years	21,425	14,367
Between four and five years	18,289	13,078
Later than five years	43,971	28,854
	164,172	**116,782**

There are multiple leases and tenants. The rent review mechanisms and frequency vary for each lease. Each lease has renewal dates whereby the lessee has the right to renew for an agreed term. The minimum lease payments receivable reflect the minimum lease terms and do not include any options for renewal due to the uncertainty as to whether the options will be exercised. The figures above also exclude the recovery of rates and insurance disclosed under lease income in accordance with NZ IFRS 16 since this is a variable lease payment that does not depend on an index or rate.

The main risk retained by the Group from its tenants relates to material damage. This is managed through insurance and regular inspection and maintenance.

Accounting policy - operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

Note 18: Lease liabilities (Group as lessee)

The Group leases approximately 15,223m^2 of land from KiwiRail at The Hub in Wellington. The lease commenced on 1 July 2017 and is for a term of 25 years, expiring on 30 June 2042. The lease was assigned to the Group on 15 June 2018. The discount rate applied to the lease is 6.00% based on the Group's incremental borrowing cost at lease commencement.

Consolidated statement of financial position

2022	Opening balance $ '000	Repayment of lease liabilities $ '000	Depreciation of right-of-use asset $ '000	Closing balance $ '000
Right-of-use assets (ground lease)	1,221	-	(57)	1,164
Lease liabilities (ground lease)	(1,342)	19	-	(1,323)
Net asset/(liability)	**(121)**			**(159)**

2021	Opening balance $ '000	Repayment of lease liabilities $ '000	Depreciation of right-of-use asset $ '000	Closing balance $ '000
Right-of-use assets (ground lease)	1,279	-	(57)	1,221
Lease liabilities (ground lease)	(1,358)	16	-	(1,342)
Net asset/(liability)	**(79)**			**(121)**

The lease liability reflects the obligation to make future lease payments. The right-of-use assets reflect the right to control the use of the leased land during the term of the lease.

Included in the 31 March 2022 balance of investment property, is an implicit right-of-use asset of $1,164,000 (2021: $1,221,000)

Consolidated statement of comprehensive income

	2022 $ '000	2021 $ '000
Depreciation of right-of-use asset (ground lease)	(57)	(57)
Lease finance expense (ground lease)	(80)	(81)
Total expense	**(137)**	**(138)**

Depreciation of the right-of-use asset is included in non recoverable property operating expenses. Lease finance expense reflects interest on the lease liability.

Consolidated statement of cash flows

	2022 $ '000	2021 $ '000
Interest paid (ground lease)	(80)	(81)
Repayment of lease liabilities (ground lease)	(19)	(16)
Total cash flow	**(99)**	**(97)**

Notes to the consolidated financial statements (cont.)

Accounting policy - Leases

Lease liabilities are recognised at inception of the lease contract and are measured at the present value of the lease payments to be made over the lease term. The lease payments include fixed payments, less any lease incentives receivable. The incremental borrowing rate at the lease commencement date is used to calculate the net present value of the lease payment. After initial recognition, lease liabilities are reduced for the lease payments made, discounted using the incremental borrowing rate at lease commencement. The carrying value of lease liabilities are remeasured if there is a modification.

Right-of-use assets are depreciated using the straight-line method over the lease period.

Note 19: Capital commitments

As at 31 March 2022 the Group had the following capital commitments:

On 22 December 2021, the Group signed an agreement to lease with Belron NZ Limited in relation to the property located at 510 Mt Wellington Highway. Pursuant to the agreement the Group has committed to development works at the property. On 8 July 2022 the Group signed a construction contract for development works totalling $3.5m.

(2021: the Group had capital commitments of $48,834,674 for the conditional acquisition of 78 Tidal Road, Auckland.)

Note 20: Contingent liabilities

A contingent liability is assumed to exist at 31 March 2022 relating to performance fees that are payable on listing of the Company.

Note 21: Subsequent events

On 18 May 2022, the Group signed a sale and purchase agreement to sell the property located at 16 Akatea Road, Glendene, Auckland for a sale price of $5.2m. Settlement is scheduled for 1 August 2022.

On 29 June 2022, the group signed a design and build agreement to lease with Earthcare Environment Limited in relation to the property located at 3 Edinburgh Street, Auckland. Pursuant to the agreement the group committed to contributions totalling $1.8m for development works at the property.

On 11 July 2022, the group signed a sale and purchase agreement to acquire the property located at 1458 - 1460 Omahu Road, Hastings for a purchase price of $59.5m. Settlement is scheduled for 19 August 2022.

Subsequent to balance date the Group accepted a credit approved offer to extend the syndicated facility by $70m to $295m, primarily for the purpose of acquiring 1458 - 1460 Omahu Road, Hastings. Terms include the addition of ANZ Bank New Zealand Limited (ANZ) and replacement of Westpac's commitments in facility A by ICBC.

The Directors of the Company declared the following dividends:
- 10 May 2022, $1,386,249.99 equal to 0.55417 cents per share, payable on 20 May 2022
- 17 June 2022, $1,386,249.99 equal to 0.55417 cents per share, payable on 20 June 2022
- 14 July 2022, $1,386,249.99 equal to 0.55417 cents per share, payable on 20 July 2022

Note 22: Comparison to the prospective financial information

The forecast figures in the table below represent the prospective financial information issued on 11 May 2021.

	Actual 2022 $ '000	Forecast 2022 $ '000
Consolidated statement of comprehensive income		
Rental income	32,263	29,388
Other income	62	43
Recoverable property operating expenses	(4,886)	(4,638)
Non-recoverable property operating expenses	(1,361)	(1,199)
Property investigation expenses	(52)	(50)
Administration expenses	(569)	(473)
Management expenses	(2,655)	(2,224)
Net finance expenses	(7,984)	(6,117)
Lease finance cost (ground lease)	(80)	(80)
Change in fair value of investment property	105,354	4,641
Change in fair value of interest rate swaps	7,314	1,486
Total comprehensive income	**127,406**	**20,777**
Consolidated statement of financial position		
Current assets	2,705	500
Non current assets	656,399	469,300
Current liabilities	(5,684)	(2,645)
Non current liabilities	(212,192)	(132,563)
Net assets (equity)	**441,228**	**334,592**
Consolidated statement of cash flows		
Net cash flow from operating activities	16,871	14,950
Net cash flow from investment activities	(136,045)	(54,322)
Net cash flow from financing activities	120,423	38,760
Net increase / (decrease) in cash held	**1,249**	**(612)**
Cash and cash equivalents at start of period	1,112	1,112
Cash and cash equivalents at end of period	**2,361**	**500**

Total comprehensive income is higher compared with the prospective financial information (PFI). This is mainly due to larger increases in the fair value of investment property and swaps than assumed for in the PFI. The PFI only assumed revaluation adjustments for Tidal Road of $5.7m representing the valuation instructed as part of the acquisition due diligence offset by movements in lease incentive balances, capitalised leasing fees and fixed rental accruals during the year. Actual valuations across the portfolio resulted in a $105.4m gain in fair value of investment property, driven primarily by low vacancy rates, historically low interest rates and high demand from both local and international investors in the industrial property market. The change in fair value of interest rate swaps is higher than PFI by $5.8m due to increases in interest rates during the year while the PFI only assumed the unwind of the existing liabilities.

Notes to the consolidated financial statements (cont.)

Rental income is higher compared to PFI due primarily to rent received from the Columbia Avenue and Strong Portfolio acquisitions which were not assumed in PFI. Management expenses are also higher than PFI due to the additional acquisitions and valuation growth across the portfolio. Interest costs are higher than anticipated due to an increasing interest rate environment and higher borrowings arising from the additional property acquisitions.

The Group's non-current assets are $187.1m higher than PFI mainly due to the additional acquisitions of Columbia Avenue and the Strong Portfolio and valuation growth across the portfolio not assumed in PFI. Non-current assets also include interest rate swaps which are assumed to be liabilities in PFI. Non-current liabilities are higher than PFI by $79.6m mainly as net borrowings totalling $60.2m were drawn in the year to fund the additional property acquisitions. The PFI assumed net borrowings of $21.4m would be repaid during the year following the capital raise as only the acquisition of Tidal Road was assumed.

The actual net change in cash held compared with the PFI resulted in higher cash held as at 31 March 2022. Net cash outflow from investment activites is higher than PFI due to the additional investment property acquisitions. Net cash inflows from financing activities were higher than PFI to fund the additional acquisitions.

Independent Auditor's Report

To the Shareholders of Centuria NZ Industrial Fund Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Centuria NZ Industrial Fund Limited (the 'Company') and its subsidiaries Centuria NZ Industrial Fund No.1 Limited and Centuria NZ Industrial Fund No.2 Limited (collectively, the 'Group') on pages 22 to 52, present fairly in all material respects the Group's consolidated financial position as at 31 March 2022 and its consolidated financial performance and cash flows for the year ended on that date in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2022;
- the consolidated statements of comprehensive income, changes in equity and cash flow for the year then ended; and
- notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the Shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Valuation of investment property	
Refer to notes 2 and 5 to the consolidated financial statements. Valuation of investment property is a key audit matter because of the judgement required in setting key valuation assumptions. Incorrect valuation methodology or differences in input assumptions could result in material misstatements of the valuation. Given the subjectivity involved in valuation of investment property, including alternative assumptions and valuation methods, there is a range of values that could be considered reasonable. The Group engaged an independent registered valuer to perform valuation of investment property, and has adopted the assessed value determined by the valuer.	We assessed: — the instructions to the valuer to ensure they are instructed properly; — the valuation report for compliance with the letter of instruction; and — the valuer's qualification, expertise and their objectivity. *Our audit procedures did not identify any material issues with the instructions provided to the valuer or with their qualification, expertise and objectivity.* We held discussions with management to understand: — movements in the value of investment property; — management's process to challenge the assumptions used in the valuation report; and — the impact that COVID-19 has had on the Group's investment property including rent abatements (if any). We held discussions with the valuer to: — understand and challenge key assumptions and assess their reasonableness; and — understand and assess why key assumptions have changed since previous period. We agreed the carrying value of the investment property to the external valuation report and read and evaluated the valuation report. Our work on the valuation report focussed on: — evaluating the appropriateness of the valuation methodology, including the rationale for changes in methodology (if any); — understanding and evaluating the rationale for year-on-year changes to key assumptions used in the valuation; and — understanding any restrictions imposed on the valuation process and the market conditions at and post balance date. We assessed the accuracy of information used by the valuer by reconciling the information used by the valuer to the underlying property records. We reviewed the disclosures made in notes 2 and 5 to the consolidated financial statements which sets out the key judgements and estimates and sensitivities to them. Our review focussed on ensuring that the disclosures appropriately explain the valuation methodology and assumptions. We also ensured that these notes explain there is an inherent uncertainty in the macroeconomic environment and property market and how this has been factored in the valuation of investment property. *Our audit procedures did not identify any material issues with the assumptions used and the judgements applied and noted that the valuation was performed on an appropriate basis. Given the current circumstances, we concur with the Manager and their external valuers' identification of the current and future uncertainty around the valuation.*

The key audit matter	How the matter was addressed in our audit
Bank debt and related interest rate swap	
Refer to note 7 and 9 to the consolidated financial statements. The investment property is partially funded by the bank debt which is subject to specific covenants. In the event these covenants were not complied with, the bank may demand repayment of the loan. Bank debt has a maturity date which may align with the tenancy agreement in place. Failure to secure an extension or new tenancy agreement may affect the cash flows available to service the debt and the calculation of the covenants under the agreement. This may affect the bank's decision to renew the lending. Failure to comply with covenants or extend bank debt may affect the going concern assumption applied by management in preparation of the Group's consolidated financial statements. The Group also hedges the interest rate risk by entering into interest rate swap agreement. The valuation of interest rate swap requires judgement in setting the key assumptions.	Our audit procedures included: — Confirming details of lending to bank agreements and bank confirmation; — Assessing compliance with covenants and if covenants have been breached, determining whether the loan is disclosed as current (unless the Bank has waived its right to call); — Engaging valuation specialists to assess the valuation of interest rate swap; and — Reviewing all lending disclosures in the consolidated financial statements; *We found no material issues in relation to covenant compliance and noted the tenancies have weighted average lease term of 5.4 years to run and loan maturities of 29 April 2023 to 22 October 2024.* *We found no material issues in relation to accounting treatment or valuation of the bank debt and the related interest rate swap.*

Other information

The Manager, on behalf of the Group, is responsible for the other information included in the Group's Annual Report. Other information includes the Letter from the Chair and Manager, Industrial Fund Assets, Adjusted Funds from Operations, Selected Financial Information, and Property Portfolio Metrics. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

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

Other matter

The consolidated financial statements of Centuria NZ Industrial Fund Limited, for the year ended 31 March 2021, was audited by another auditor who expressed an unmodified opinion on those consolidated statements on 10 May 2021.

Use of this independent auditor's report

This independent auditor's report is made solely to the Shareholders as a body. Our audit work has been undertaken so that we might state to the Shareholders those matters we are required to state to them in the independent auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Manager for the consolidated financial statements

The Manager, on behalf of the Group, is responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a set of consolidated financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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 ISAs NZ will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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 these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/

This description forms part of our independent auditor's report.

The engagement partner on the audit resulting in this independent auditor's report is John Kensington.

For and on behalf of

KPMG

KPMG
Auckland

26 July 2022

Statutory Disclosures

Indemnification and Insurance of Directors and Officers

The Company has agreed to indemnify all the Directors for:

(a) Costs incurred in defending any liability for any act or omission made by the Director in their capacity as a director and for to which they are acquitted, judgment is given in their favour or the proceeding is discontinued; and

(b) Any liability in their capacity as a director (other than liability to the Company or its subsidiaries) for any act or omission as a director except where due to the wilful default or fraud, any criminal liability, breach of the duty to act in good faith, breach of any fiduciary duty of loyalty or honesty and any other liability for which the giving of an indemnity is prohibited by law.

During the financial year, the company has paid premiums (as permitted by sections 162(3)-(5) of the Companies Act 1993) in respect of a Directors and Officers Liability Policy insuring all the Directors of Centuria NZ Industrial Fund Limited (subject to the policy terms and conditions) against claims arising whilst they are acting in their individual or collective capacities as Directors and Officers.

The payment of insurance premiums was expressly approved by the Board, who consider the cost is fair to the Company and has been noted in the interests register.

Interests Register

During the year ended 31 March 2022, the following dealings in Centuria NZ Industrial Fund Limited shares were recorded in the interest register:

Relevant Directors	Nature of relevant interest	Transaction (s)	Date of Disclosure	Date of transaction	Number of shares	Consideration paid
Bryce Barnett	Trustee of trust: · Power to exercise right to vote attached to ordinary shares · Power to acquire or dispose of ordinary shares	Acquisition of ordinary shares from underwriter	8 July 2021	8 July 2021	601,503	$800,000 ($1.33 per ordinary share)
		Acquisition of ordinary shares from underwriter	5 August 2021	5 August 2021	150,375	$199,998.75 ($1.33 per ordinary share)
Jason Huljich and John McBain	Director of shareholder: · Power to exercise right to vote attached to ordinary shares · Power to acquire or dispose of ordinary shares	Acquisition of ordinary shares pursuant to underwriting agreement	29 June 2021	29 June 2021	14,263,977	$18,971,089.41 ($1.33 per ordinary share)
		Disposal of ordinary shares	30 June 2021	30 June 2021	155,336	$206,596.88 ($1.33 per ordinary share)
		Disposal of ordinary shares	1 July 2021	1 July 2021	161,649	$214,993.17 ($1.33 per ordinary share)
		Disposal of ordinary shares	8 July 2021	8 July 2021	3,918,307	$5,211,348.31 ($1.33 per ordinary share)
		Disposal of ordinary shares	15 July 2021	15 July 2021	3,459,960	$4,601,746.80 ($1.33 per ordinary share)
		Disposal of ordinary shares	22 July 2021	22 July 2021	1,771,098	$2,355,560.34 ($1.33 per ordinary share)
		Disposal of ordinary shares	29 July 2021	29 July 2021	1,400,354	$1,862,470.82 ($1.33 per ordinary share)
		Disposal of ordinary shares	5 August 2021	5 August 2021	551,276	$733,197.08 ($1.33 per ordinary share)
		Disposal of ordinary shares	12 August 2021	12 August 2021	240,597	$319,994.01 ($1.33 per ordinary share)
		Disposal of ordinary shares	19 August 2021	19 August 2021	743,604	$988,993.32 ($1.33 per ordinary share)
		Disposal of ordinary shares	26 August 2021	26 August 2021	339,845	$451,993.85 ($1.33 per ordinary share)
		Disposal of ordinary shares	1 September 2021	1 September 2021	195,486	$259,996.38 ($1.33 per ordinary share)

Statutory Disclosures (cont.)

Relevant Directors	Nature of relevant interest	Transaction (s)	Date of Disclosure	Date of transaction	Number of shares	Consideration paid
Jason Huljich and John McBain (cont.)		Disposal of ordinary shares	9 September 2021	9 September 2021	263,156	$349,997.48 ($1.33 per ordinary share)
		Disposal of ordinary shares	16 September 2021	16 September 2021	414,284	$550,997.72 ($1.33 per ordinary share)
		Disposal of ordinary shares	23 September 2021	23 September 2021	280,450	$372,998.50 ($1.33 per ordinary share)
		Disposal of ordinary shares	30 September 2021	30 September 2021	225,722	$300,210.26 ($1.33 per ordinary share)
		Disposal of ordinary shares	7 October 2021	7 October 2021	15,036	$19,997.88 ($1.33 per ordinary share)
		Disposal of ordinary shares	14 October 2021	14 October 2021	82,705	$109,997.65 ($1.33 per ordinary share)
		Disposal of ordinary shares	21 October 2021	21 October 2021	15,037	$19,999.21 ($1.33 per ordinary share)
		Disposal of ordinary shares	28 October 2021	28 October 2021	15,037	$19,999.21 ($1.33 per ordinary share)
		Disposal of ordinary shares	4 November 2021	4 November 2021	15,038	$20,000.54 ($1.33 per ordinary share)
Jason Huljich, Mark Francis and John McBain	Director of shareholder: · Power to exercise right to vote attached to ordinary shares · Power to acquire or dispose of ordinary shares	Acquisition of ordinary shares	29 June 2021	29 June 2021	6,015,037 (Total holding of 25,015,037 ordinary shares following acquisition)	$7,999,999.20 ($1.33 per ordinary share)

Other entries made in the interests register of the Company and its subsidiaries were:

Director	Entity/Transaction	Nature of interest	Date of Disclosure
Mike Steur	Prop Tech Three Pty Limited	Director and shareholder	28 May 2021
	Karedis Investment Group	Advisory Board member	28 May 2021

Details of directors of the Company and its subsidiaries

The directors of the Company and its subsidiaries as at 31 March 2022 were:

Robert (Mark) Petersen (Chair)

Mike Steur

Mark Francis

Jason Huljich

Bryce Barnett (Alternate Director for Mark Francis)

John McBain (Alternate Director for Jason Huljich)

No persons ceased to be a director during the year ended 31 March 2022.

Remuneration of directors

The following directors were paid director fees:

Director	Fee for the year ended 31 March 2022
Robert (Mark) Petersen	$40,000
Mike Steur	$25,000

Statutory Disclosures (cont.)

Employee Remuneration

The Company and its subsidiaries do not have any employees.

Donations

The Company and its subsidiaries did not make any donations during the year ended 31 March 2022.

Auditor

A fee of $105,000 plus GST is payable to KPMG for its audit of the consolidated financial statements of the Company and its subsidiaries for the year ended 31 March 2022. During the year, Ernst & Young resigned as auditor and KPMG were appointed as auditor. A fee of $80,000 was paid to Ernst & Young during the year ended 31 March 2022 in relation to investigating accountant services for the capital raising undertaken in 2021.

This annual report is dated 26 July 2022 and is signed on behalf of the Board by:

Robert (Mark) Petersen

Director of Centuria NZ Industrial Fund Limited

Mark Francis

Director of Centuria NZ Industrial Fund Limited

Date: 26 July 2022

Corporate Directory

Manager
Centuria Funds Management (NZ) Limited
Level 2, 30 Gaunt Street
Wynyard Quarter
Auckland 1010
New Zealand

Directors
Mark Petersen
Mark Francis
Jason Huljich
Michael Steur
John McBain (alternate director for Jason Huljich)
Bryce Barnett (alternate director for Mark Francis)

Corporate Legal Advisor
Chapman Tripp
Level 34, 15 Customs Street West
PO Box 2206
Auckland 1140
New Zealand

Auditor
KPMG
18 Viaduct Harbour Avenue
Auckland CBD
Auckland 1010
New Zealand

Share Registrar
Boardroom Pty Limited
Grosvenor Place
Level 12, 225 George Street
GPO Box 3993
Sydney, NSW 2000,
Australia

Bankers
ASB Bank Limited
Level 6, 12 Jellicoe Street
Auckland 1010
New Zealand

Westpac New Zealand Limited
16 Takutai Square
Auckland 1010
New Zealand

Industrial and Commercial Bank of China
2 Queen Street
Auckland 1010
New Zealand

Bank of China Limited
Level 17, Tower 1, 205 Queen Street
Auckland 1010
New Zealand

Registered Office
Level 2, 30 Gaunt Street
Wynyard Quarter
Auckland 1010
New Zealand

Notes

12 Brick Street, Henderson, Auckland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