dexus

Industria Company No. 1 Limited
Annual Report
30 June 2023

ABN: 61 010 794 957

Annual Report

Contents

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

The registered office of the Company is Level 30, Quay Quarter Tower, 50 Bridge Street, Sydney, NSW, 2000 and its principal place of business is Level 5, 80 Collins Street (South Tower), Melbourne, VIC 3000.

Directors' Report

The Directors of Industria Company No.1 Limited (the Company or IC1) and its controlled entities (the Group) present their Directors' Report together with the Consolidated Financial Statements for the year ended 30 June 2023.

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

Directors and Secretaries

Directors

The following persons were Directors of DXAM and Industria Company No. 1 Limited (IC1), a stapled entity of DXI, at all times during the year and to the date of this Directors' Report, unless otherwise stated:

Directors	Appointed
Howard Brenchley, BEc[1]	16 March 1998
Danielle Carter, BA/BCom, GradDipAppFin, CA, GAICD[2]	17 October 2022
Deborah Coakley, BBus, GAICD	19 August 2021
Jennifer Horrigan, BBus, GradDipMgt, GradDipAppFin, MAICD	30 April 2012
Michael Johnstone, BTRP, LS, AMP (Harvard)[1]	25 November 2009
Emily Smith, BCom, GAICD	19 April 2022
Jonathan Sweeney, BCom, LLB, CFA, GAICD[2]	17 October 2022
Brett D Cameron, LLB/BA, GAICD, FGIA – Alternate Director for Deborah Coakley	1 March 2022

1 Resigned, effective 17 October 2022.
2 Appointed, effective 17 October 2022.

Company Secretaries

The names and details of the Company Secretaries of DXAM as at 30 June 2023 are as follows:

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

Appointed: 16 September 2021

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

Prior to joining Dexus, Brett was Head of Legal for Macquarie Real Estate (Asia) and has held senior legal positions at Macquarie Capital Funds in Hong Kong and Minter Ellison in Sydney and Hong Kong. Brett has 25 years' experience as inhouse counsel and in private practice in Australia and in Asia, where he worked on real estate structuring and operations, funds management, mergers and acquisitions, private equity and corporate finance across a number of industries.

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

Scott Mahony BBus (Acc), Grad Dip (Business Administration), MBA (eCommerce), Grad Dip (Applied Corporate Governance) FGIA, FCIS

Appointed: 14 October 2022

Scott is the Head of Governance of Dexus and is responsible for the development, implementation and oversight of Dexus's governance policies and practices. Prior to being appointed the Head of Governance in 2018, Scott had oversight of Dexus's risk and compliance programs.

Scott joined Dexus in October 2005 after two years with Commonwealth Bank of Australia as a Senior Compliance Manager. Prior to this, Scott worked for over 11 years for Assure Services & Technology (part of AXA Asia Pacific) where he held various management roles.

Attendance of Directors at Board Meetings and Board Committee Meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 14 times during the year, of which five were Board Sub-committees and special meetings.

	DXAM Board		Audit, Risk and Compliance Committee	
	Held	Attended	Held	Attended
Howard Brenchley[1]	5	5	–	–
Danielle Carter[2]	7	7	3	3
Deborah Coakley	14	14	–	–
Jennifer Horrigan	14	14	4	4
Michael Johnstone[1]	3	3	1	1
Emily Smith	13	13	4	4
Jonathan Sweeney[2]	7	7	3	3
Brett D Cameron (alternate for Deborah Coakley)	–	–	–	–

1 Resigned, effective 17 October 2022.
2 Appointed, effective 17 October 2022.

Board Sub-committee and special meetings are held at a time to enable the maximum number of Directors to attend and are generally held to consider specific items that cannot be held over to the next scheduled main meeting.

Directors' relevant interests

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

Directors	No. of securities
Danielle Carter[1]	15,964
Deborah Coakley	–
Jennifer Horrigan	36,859
Emily Smith	–
Jonathan Sweeney[1]	23,800
Brett D Cameron	–

1 Appointed, effective 17 October 2022.

Operating and financial review

The results of the operations of the Group are disclosed in the Consolidated Statement of Comprehensive Income. The Group's net profit after tax for the financial year ended 30 June 2023 was $6,521,000 (2022: $15,732,000).

The Group forms part of DXI. Information on the operations and financial position of DXI and its business strategies and prospects, of which the Group forms part thereof, is set out on pages 26 to 31 of the Dexus Industria REIT Annual Report and forms part of this Directors' Report.

Remuneration Report

No remuneration or director fees are paid out of the assets of IC1. Further, there are no employees of IC1. The Independent Directors receive director fees from the Dexus Group an entity listed on the ASX under code "DXS". Ms Deborah Coakley (and Mr Brett Cameron as Ms Coakley's Alternate) receives remuneration as an employee of Dexus Group (please refer to the Remuneration Report which forms part of the 2023 Dexus Annual Report available at www.dexus.com). There are no other key management personnel for IC1.

The remuneration for the Directors is set out below:

Directors	
Howard Brenchley[1]	Nil paid by IC1
Danielle Carter[2]	Nil paid by IC1
Jennifer Horrigan	Nil paid by IC1
Michael Johnstone[1]	Nil paid by IC1
Emily Smith	Nil paid by IC1
Jonathan Sweeney[2]	Nil paid by IC1
Deborah Coakley	Nil paid by IC1
Brett D Cameron (Alternate Director)	Nil paid by IC1

1. Resigned, effective 17 October 2022.
2. Appointed, effective 17 October 2022

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

Directors' directorships in other listed entities

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

Directors	Company	Date appointed
Howard Brenchley[1]	National Storage Holdings Ltd	21 November 2014
	National Storage Financial Services Limited	8 September 2015
Danielle Carter[2]	BWP Management Limited	1 December 2021
Deborah Coakley	-	-
Jennifer Horrigan	QV Equities Limited[3]	26 April 2016
	A2B Australia Limited	11 September 2020
Michael Johnstone[1]	Charter Hall Social Infrastructure Trust	22 December 2004
Emily Smith	-	-
Jonathan Sweeney[2]	EP&T Global Limited	1 March 2021
Brett D Cameron	-	-

1 Retired from the Board of DXAM, effective 17 October 2022.
2 Appointed to the Board of DXAM, effective 17 October 2022.
3 Retired from the Board of QV Equities Limited, effective 31 March 2023.

Principal activities

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

Total value of Group assets

The total value of the assets of the Group as at 30 June 2023 was $182,056,000 (2022: $176,141,000). Details of the basis of this valuation are outlined in the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

Likely developments and expected results of operations

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

Significant changes in the state of affairs

During the financial year, the Group had no significant changes in its state of affairs.

Matters subsequent to the end of the financial year

The Group has communicated with its panel of independent real estate valuation firms to understand whether any changes subsequent to the balance date would have changed their view regarding the 30 June 2023 real estate valuations. In particular, the Group considered the economic environment, including but not limited to inflation, interest rates and capital flows. The independent valuation firms have not provided information to indicate that the independent valuations at 30 June 2023 are not appropriate.

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

Dividends

No dividends were declared by the Group for the year ended 30 June 2023 (2022: nil).

Shares on Issue

The movement in shares on issue in the Group during the year and the number of shares on issue as at 30 June 2023 are detailed in note 10 of the Notes to the Consolidated Financial Statements and form part of this Directors' Report.

The number of interests in the Group held by DXAM or its associates as at the end of the financial year is 60,284,550 units (2022: 60,356,512 units) as detailed in note 15 of the Notes to the Consolidated Financial Statements.

The Group did not have any options on issue as at 30 June 2023 (2022: nil).

Environmental regulation

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

The Group is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 (NGER Act). The NGER Act requires the Group to report its annual greenhouse gas emissions and energy use.

The Group has implemented systems and processes for the collection and calculation of the data required. The Group submitted its 2022 report to the Greenhouse and Energy Data Officer on 27 October 2022 and will submit its 2023 report by 31 October 2023. During the 12 month period ending 30 June 2023, the Group complied with all the relevant requirements as set out by the NGER Act.

Information regarding the Group's participation in the NGER program is available at: www.dexus.com/sustainability

Indemnification and insurance

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

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

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

Audit

Auditor

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*. In accordance with section 324DAA of the *Corporations Act 2001*, the Group's lead auditor and review auditor must be rotated every five years unless the Board grants approval to extend the term for up to a further two years.

Non-audit services

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

Details of the amounts paid or payable to the Auditor for audit and non-audit services provided during the year are set out in note 13 of the Notes to the Consolidated Financial Statements.

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

The reasons for the Directors being satisfied are:

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

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

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 8 and forms part of this Directors' Report.

Corporate governance

DXAM's Corporate Governance Statement is available at: www.dexus.com/investor-centre/listed-funds/dexus-industria-reit/corporate-governance

Rounding of amounts and currency

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

Directors' authorisation

The Directors' Report is made in accordance with a resolution of the Directors. The Consolidated Financial Statements were authorised for issue by the Directors on 9 August 2023.

Jennifer Horrigan
Chair
9 August 2023

Auditor's Independence Declaration

As lead auditor for the audit of Industria Company No. 1 Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

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

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

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

Samantha Johnson
Partner
PricewaterhouseCoopers

Sydney
9 August 2023

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Revenue from ordinary activities			
Property revenue	2	**8,466**	9,039
Total revenue from ordinary activities		**8,466**	9,039
Other Income			
Net fair value gain of investment properties	6	**–**	8,115
Share of net profit of investments accounted for using the equity method	7	**8,016**	7,168
Net fair value gain of derivatives	8(c)	**–**	382
Total other income		**8,016**	15,665
Total income		**16,482**	24,704
Expenses			
Property expenses	2	**(2,475)**	(3,374)
Management fee expense		**(1,065)**	(1,051)
Finance costs	3	**(615)**	(720)
Net loss on sale of assets		**–**	(24)
Net fair value loss of investment properties	6	**(7,721)**	–
Other expenses		**(137)**	(179)
Total expenses		**(12,013)**	(5,348)
Profit before tax		**4,469**	19,356
Income tax benefit /(expense)	4(b)	**2,052**	(3,624)
Profit for the year		**6,521**	15,732
Other comprehensive income for the year		**–**	–
Total comprehensive income for the year		**6,521**	15,732
		Cents	Cents
Earnings per share on profit/(loss) attributable to shareholders			
Basic earnings per share	5	**2.06**	5.42
Diluted earnings per share	5	**2.06**	5.42

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

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	2023 $'000	2022 $'000
Current assets			
Cash and cash equivalents	11(a)	**325**	236
Receivables	11(b)	**528**	1,136
Other current assets	11(c)	**848**	781
Total current assets		**1,701**	2,153
Non-current assets			
Investment properties	6	**120,700**	125,125
Investments accounted for using the equity method	7	**51,248**	44,725
Loans to related entities	12	**8,407**	4,138
Total non-current assets		**180,355**	173,988
Total assets		**182,056**	176,141
Current liabilities			
Payables	11(d)	**3,886**	1,753
Provisions	11(e)	**136**	126
Derivative financial instruments	8(c)	**–**	–
Total current liabilities		**4,022**	1,879
Non-current liabilities			
Deferred tax liabilities	4(c)	**10,729**	13,478
Total non-current liabilities		**10,729**	13,478
Total liabilities		**14,751**	15,357
Net assets		**167,305**	160,784
Equity			
Contributed equity	10	**93,278**	93,278
Retained profits		**74,027**	67,506
Total equity		**167,305**	160,784

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Note	Contributed equity $'000	Retained profits $'000	Total $'000
Opening balance as at 1 July 2021		**43,287**	**51,774**	**95,061**
Net profit for the year		–	15,732	15,732
Other comprehensive income/(loss) for the year		–	–	–
Total comprehensive income for the year		–	15,732	15,732
Transactions with owners in their capacity as owners				
Issue of contributed equity	10	51,611	–	51,611
Buy-back of contributed equity	10	(794)	–	(794)
Equity issuance and buy-back costs	10	(826)	–	(826)
Total transactions with owners in their capacity as owners		49,991	–	49,991
Closing balance as at 30 June 2022		**93,278**	**67,506**	**160,784**
Opening balance as at 1 July 2022		**93,278**	**67,506**	**160,784**
Net profit for the year		**–**	**6,521**	**6,521**
Other comprehensive income/(loss) for the year		**–**	**–**	**–**
Total comprehensive income for the year		**–**	**6,521**	**6,521**
Closing balance as at 30 June 2023		**93,278**	**74,027**	**167,305**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**11,391**	9,680
Payments in the course of operations (inclusive of GST)		**(3,781)**	(6,420)
Finance costs paid		**(615)**	(720)
Income tax paid		**(451)**	–
Distributions received from investments accounted for using the equity method		**1,326**	–
Net cash inflow/(outflow) from operating activities	14	**7,870**	2,540
Cash flows from investing activities			
Payments for capital expenditure on investment properties		**(3,512)**	(581)
Payments for investments accounted for using the equity method		**–**	(37,557)
Net cash inflow/(outflow) from investing activities		**(3,512)**	(38,138)
Cash flows from financing activities			
Proceeds from loans with related entities		**32,307**	35,669
Repayment of loans with related entities		**(36,576)**	(50,515)
Payments for buy-back of contributed equity		**–**	(794)
Proceeds from issue of contributed equity		**–**	51,611
Equity issuance and buy-back costs paid		**–**	(826)
Net cash inflow/(outflow) from financing activities		**(4,269)**	35,145
Net increase/(decrease) in cash and cash equivalents		**89**	(453)
Cash and cash equivalents at the beginning of the year		**236**	689
Cash and cash equivalents at the end of the year		**325**	236

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

Notes to the Consolidated Financial Statements

In this section

This section sets out the basis upon which the Group's Consolidated Financial Statements are prepared. Specific accounting policies are described in their respective Notes to the Consolidated Financial Statements.

Basis of preparation

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

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

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

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

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

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

Net current asset deficiency

As at 30 June 2023, the Group had a net current asset deficiency of $2.3 million (2022: surplus of $0.3 million). This is primarily due to accrued property expenses that will be funded by rental income collected and investment management fees payable to DXAM via funding from another entity within the DXI stapled group. Capital risk management is not managed at the individual stapled entity level, but rather holistically as part of the DXI stapled group. This is done through a centralised treasury function which ensures that entities within the DXI stapled group (including this Group itself) will be able to continue as a going concern. The DXI stapled group has in place both external and internal funding arrangements to support the cash flow requirements of each stapled entity within the DXI stapled group, including undrawn facilities of $57.0 million (2022: $55.8 million). In the event that the Group requires additional funding to meet current liabilities in the 12 months succeeding the date of this financial report, the DXI stapled group will make adequate funds available to the Group.

In determining the basis of preparation of the financial report, the Directors have taken into consideration the unutilised facilities available to the DXI stapled group. As such the Group is a going concern and the Interim Consolidated Financial Statements have been prepared on that basis.

Critical accounting estimates

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

In the process of applying the Group's accounting policies, management has considered the current economic environment including the impacts of inflation and rising interest rates.

Other than inflationary and interest rate impacts and the estimates and assumptions used for the measurement of items held at fair value such as:

- Investment properties (including those held within investments accounted for using the equity method); and
- Derivative financial instruments.

No other key assumptions concerning the future or other estimation uncertainty at the end of each reporting period could have a significant risk of causing material adjustments to the Consolidated Financial Statements.

Climate change

The Group is continuing to develop its assessment of the impact of climate change in line with emerging industry and regulatory guidance in preparing the Consolidated Financial Statements.

Refer to specific considerations relating to Investment Properties within note 6 to the Consolidated Financial Statements.

On 26 June 2023, the International Sustainability Standards Board (ISSB) released its new sustainability standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures*. With the standards now officially released, the Australian Government has announced its second round of consultation on Climate-related financial disclosures indicating an intention to adopt the new sustainability standards and potential to mandate for large businesses and financial institutions. The Group will assess the potential impact of these new standards on the Consolidated Financial Statements once they have been adopted by the Australian Accounting Standards Board (AASB).

Principles of consolidation

These Consolidated Financial Statements incorporate the assets, liabilities and results of all subsidiaries as at 30 June 2023.

Controlled entities

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

Joint arrangements

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

Joint operations

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

Joint ventures

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

Goods and services tax

Revenues, expenses and capital assets are recognised net of any amount of Australian Goods and Services Tax (GST), except where the amount of GST incurred is not recoverable. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities that is recoverable from or payable to the Australian Taxation Office is classified as cash flows from operating activities.

Notes to the Consolidated Financial Statements

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

The Notes are organised into the following sections:

Group performance

In this section

This section explains the results and performance of the Group.

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

Note 1 Operating segments

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

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

Note 2 Property revenue and expenses

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

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

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

	2023 $'000	2022 $'000
Rental income	**7,450**	7,848
Outgoings and direct recoveries	**275**	252
Services revenue	**1,458**	1,621
Embedded network income[1]	**189**	197
Incentive amortisation	**(906)**	(879)
Total property revenue	**8,466**	9,039

1 Embedded network income represents the net of $0.3 million (2022: $0.4 million) of direct recoveries income and $0.2 million (2022: $0.2 million) of electricity expenses.

Property expenses

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

	2023 $'000	2022 $'000
Recoverable outgoings and direct recoveries	**1,940**	1,998
Other non-recoverable property expenses	**535**	1,376
Total property expenses	**2,475**	3,374

Note 3 Finance costs

Finance costs include interest paid/payable to IT3 as financier to entities within the DXI stapled group. Finance costs are expensed as incurred.

	2023 $'000	2022 $'000
Interest paid/payable	**615**	720
Total finance costs	**615**	720

Note 4 Taxation

Industria Company No.1 Limited

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

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

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

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

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax is recognised as an expense or income in the Consolidated Statement of Comprehensive Income.

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

Industria Company No.1 Limited - tax consolidation

The Company and its controlled entities are a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Industria Company No. 1 Limited. The members of the tax-consolidated group are identified in note 16.

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

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

Franking credits available for subsequent reporting periods based on a tax rate of 30% (2022: 30%) are $1.7 million (2022: $0.4 million).

a. Income tax (expense)/benefit

	2023 $'000	2022 $'000
Current income tax (expense)/benefit	**(696)**	–
Deferred income tax benefit/(expense)	**2,748**	(3,624)
Total income tax benefit/(expense)	**2,052**	(3,624)
Deferred income tax expense included in income tax benefit/(expense) comprises:		
Decrease in deferred tax assets	**(61)**	(658)
Decrease/(increase) in deferred tax liabilities	**2,809**	(2,966)
Total deferred tax benefit/(expense)	**2,748**	(3,624)

Note 4 Taxation (continued)

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

	2023 $'000	2022 $'000
Profit before income tax	**4,469**	19,356
Less: share of net profit of investments accounted for using the equity method	**(8,016)**	(7,168)
(Loss)/profit subject to income tax	**(3,547)**	12,188
Prima facie tax expense at the Australian tax rate of 30%	**1,064**	(3,656)
Add/(subtract) the tax effect of:		
Franked dividend received from investments	**149**	–
Over/under provision from previous years	**839**	32
Income tax benefit/(expense)	**2,052**	(3,624)

c. Deferred tax balances

	2023 $'000	2022 $'000
The balance comprises temporary differences attributable to:		
Provisions and accruals	**302**	213
Investment properties	**(11,255)**	(14,064)
Other	**224**	373
Net deferred tax liabilities	**(10,729)**	(13,478)

Note 5 Earnings per share

Earnings per share are determined by dividing the net profit/(loss) attributable to shareholders by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share are adjusted from the basic earnings per share by taking into account the impact of dilutive potential shares.

	2023	2022
Profit after tax ($'000) attributable to shareholders of the Company	**6,521**	15,732
Weighted average number of shares outstanding (thousands)	**317,270**	290,215
Basic and diluted earnings (cents per share)	**2.06**	5.42

No dilutive share were issued or on issue during the current year (2022: nil).

Property portfolio assets

In this section

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

30 June 2023	Note	Direct investments $'000	Joint ventures $'000	Total $'000
Investment properties	6	120,700	–	**120,700**
Investments accounted for using the equity method	7	–	9,909	**9,909**
Total		**120,700**	**9,909**	**130,609**

Property portfolio assets are used to generate the Group's performance. The assets are detailed in the following notes:

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

Note 6 Investment properties

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

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

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

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

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

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

	2023 $'000	2022 $'000
Non-current		
Industrial and office properties	**120,700**	125,125
Total	**120,700**	125,125

a. Reconciliation

	2023 $'000	2022 $'000
Opening balance at the beginning of the year	**125,125**	117,336
Additions[1]	**1,176**	397
Lease incentives	**3,232**	286
Amortisation of lease incentives	**(1,032)**	(990)
Rent straightlining	**(80)**	(19)
Net fair value (loss)/gain of investment properties	**(7,721)**	8,115
Carrying amount at the end of the financial year	**120,700**	125,125

1 Includes $0.1 million (2022: $0.4 million) of maintenance capital expenditure incurred during the year.

Note 6 Investment properties (continued)

b. Valuation process

It is the policy of the Group to obtain independent valuations for each individual property at least once every three years by a member of the Australian Property Institute of Valuers. It has been the Group's practice in the majority of cases to have such valuations performed every six months. Each valuation firm and its signatory valuer are appointed on the basis that they are engaged for no more than three years except for properties under development and co-owned properties where it is deemed appropriate to extend beyond this term. Independent valuations may be undertaken earlier where the Directors believe there is potential for a change in the fair value of the property, being 5% of the asset value. At 30 June 2023, all investment properties were externally valued.

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

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

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

c. Sustainability valuation considerations

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

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

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

d. Fair value measurement, valuation techniques and inputs

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

Class of property	Fair value hierarchy	Inputs used to measure fair value	Range of unobservable inputs	
			2023	**2022**
Industrial and office properties	Level 3	Adopted capitalisation rate	**6.75% - 7.50%**	6.00% - 7.00%
		Adopted discount rate	**7.25% - 7.75%**	6.25% - 7.50%
		Adopted terminal yield	**7.00% - 7.75%**	6.75% - 7.50%
		Net market rental (per sqm p.a.)	**\$300 - \$470**	\$283 - \$487
Land held for development	Level 3	Sales price per sqm	**\$260 - \$275**	\$265

Note 6 Investment properties (continued)

d. Fair value measurement, valuation techniques and inputs (continued)

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

Judgement is required in determining the following significant unobservable inputs:

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation..
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. For industrial and office properties, it reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted terminal yield:** The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regard to market evidence and the prior external valuation.
- **Net market rental (per sqm):** The net market rent is the estimated amount for which a property should lease between a lessor and a lessee on appropriate lease terms in an arm's length transaction.
- **Sales price per sqm:** The market evidence is compared with the subject land to determine a value on a rate per square metre basis whilst considering the location, nature and condition of each property.

e. Impact of the current economic environment on the fair value of investment properties

The elevated levels of economic uncertainty, coupled with a lack of recent comparable transactions in the market, has created heightened levels of judgment when deriving the fair value of the Group's investment property portfolio.

To address this increased estimation uncertainty, the Directors have reviewed relevant market information on an ongoing basis (including post year end and up until the date of signing this report).

Whilst the fair values of investment property can be relied upon at the date of valuation, a higher level of valuation uncertainty than normal is assumed. A sensitivity analysis has been included in note 6(f), showing indicative movements in investment property valuations should certain significant unobservable inputs differ by reasonably possible amounts from those assumed in the valuations.

f. Sensitivity information

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

The estimated impact of a change in certain significant unobservable inputs would result in a change in the fair value as follows:

	2023 $'000	2022 $'000
A decrease of 25 basis points in the adopted capitalisation rate	**4,510**	4,916
An increase of 25 basis points in the adopted capitalisation rate	**(4,197)**	(4,558)
A decrease of 25 basis points in the adopted discount rate	**4,177**	4,501
An increase of 25 basis points in the adopted discount rate	**(3,906)**	(4,199)
A decrease of 5% in the net market rental (per sqm)	**(6,035)**	(6,256)
An increase of 5% in the net market rental (per sqm)	**6,035**	6,256

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

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

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

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

The 30 June 2023 land held for development investment property asset is a non-income producing development valued using a direct comparison approach. There is a directly proportional impact between adopted sales price per sqm and fair value.

Note 7 Investments accounted for using the equity method

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

a. Interest in joint ventures and associates

The following investments are accounted for using the equity method of accounting in the Consolidated Financial Statements. The entity was formed in Australia and their principal activity is either property investment related in Australia or investment in Australian and global listed real estate investment trusts.

Information relating to these entities is set out below.

	Ownership interest			
Name of entity	2023 %	2022 %	2023 $'000	2022 $'000
Jandakot Airport Holdings Trust (JAHT)[1,2]	**68.0**	68.0	**51,248**	44,725
Total assets - investments accounted for using the equity method[3]			**51,248**	44,725

1 The entity was formed in Australia and its principal activity is airport operations and related infrastructure within Perth, WA.
2 Like other airports around Australia, firefighting foams containing per- and poly-fluorinated alkyl substances (PFAS) have historically been used at Jandakot Airport. Jandakot Airport continues to investigate, manage and monitor PFAS.
3 The Group's share of investment properties in the investments accounted for using the equity method was $9.9 million (2022: $10.1 million). Additionally, held for sale assets in the investments accounted for using the equity method was nil (2022: nil). The investment is accounted for using the equity method as a result of contractual arrangements requiring unanimous decisions on all relevant matters.

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

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

The main risk to the value of the investments accounted for using the equity method is the fair value of the underlying investment properties. Note 6 gives further explanation of the approach taken to measure the fair value of investment properties. Any fair value movements are recorded within share of net profit of investments accounted for using the equity method in the Consolidated Statement of Comprehensive Income. During the year, there were no impairment losses recorded (2022: nil).

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

The following table provides summarised financial information for the joint ventures and associates and equity accounted investments which, in the opinion of the Directors, are material to the Group. The information disclosed reflects the amounts presented in the Consolidated Financial Statements of the relevant joint ventures and associates and not IC1' share of those amounts.

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

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

	Jandakot Airport Holdings Trust (JAHT)		Total	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Summarised Statement of Financial Position				
Current assets				
Cash and cash equivalents	**37**	–	**37**	–
Other current assets	**99**	–	**99**	–
Total current assets	**136**	–	**136**	–
Non-current assets				
Investments accounted for using the equity method	**75,184**	65,751	**75,184**	65,751
Total non-current assets	**75,184**	65,751	**75,184**	65,751
Current liabilities				
Provisions	**245**	–	**245**	–
Other current liabilities	**264**	533	**264**	533
Total current liabilities	**509**	533	**509**	533
Non-current liabilities				
Total non-current liabilities	**–**	–	**–**	–
Net assets	**74,811**	65,218	**74,811**	65,218
Reconciliation to carrying amounts:				
Opening balance at the beginning of the year	**44,725**	–	**44,725**	–
Additions	**–**	37,557	**–**	37,557
Profit/(loss) for the year	**8,016**	7,168	**8,016**	7,168
Distributions received/receivable	**(1,493)**	–	**(1,493)**	–
Closing balance at the end of the year	**51,248**	44,725	**51,248**	44,725
Group's share in $'000	**50,871**	44,348	**50,871**	44,348
Capitalised transaction costs	**1,168**	1,168	**1,168**	1,168
Notional goodwill/(gain on bargain purchase)	**(791)**	(791)	**(791)**	(791)
Group's carrying amount	**51,248**	44,725	**51,248**	44,725
Summarised Statement of Comprehensive Income				
Interest revenue	**5**	–	**5**	–
Share of net profit of investments accounted for using the equity method	**12,513**	11,258	**12,513**	11,258
Other expenses	**(730)**	(533)	**(730)**	(533)
Net profit/(loss) for the year	**11,788**	10,725	**11,788**	10,725
Total comprehensive income/(loss) for the year	**11,788**	10,725	**11,788**	10,725

Capital and financial risk management and working capital

In this section

The overall risk management program focuses on reducing volatility from impacts of movements in financial markets and seeks to minimise potential adverse effects on the financial performance of the five entities which together comprise DXI.

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

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

- **Debt:** *Commitments and contingencies* in note 9
- **Equity:** *Contributed equity* in note 10

Note 11 provides a breakdown of the working capital balances held in the Consolidated Statement of Financial Position.

Note 8 Capital and financial risk management

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

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

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

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

a. Capital risk management

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

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

- The cost of capital and the financial risks associated with each class of capital
- Gearing levels and other debt covenants
- Potential impacts on net tangible assets and security holders' equity
- Other market factors

DXAM is the Manager of the Group and Responsible Entity for IT1, IT2, IT3, IT4 which are the management investment schemes that are stapled, together with IC1, to form DXI. DXAM has been issued with an Australian Financial Services Licence (AFSL). The licence is subject to certain capital requirements including the requirement to maintain liquidity above specified limits. DXAM must also prepare rolling cash projections over at least the next 15 months to demonstrate it will have access to sufficient financial resources to meet its liabilities that are expected to be payable over that period. Cash projections and assumptions are approved, at least quarterly, by the Board of DXAM.

b. Financial risk management

The overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the five entities which together comprise DXI.

i. Liquidity risk

Liquidity risk is associated with ensuring that there are sufficient funds available to meet the Group's financial commitments as and when they fall due and planning for any unforeseen events which may curtail cash flows. DXI identifies and manages liquidity risk centrally on behalf of the five entities which together comprise DXI.

Note 8 Capital and financial risk management (continued)

b. Financial risk management (continued)

i. Liquidity risk (continued)

An analysis of the contractual maturities of the Group's payables and provisions is shown in the table below. The amounts in the table represent undiscounted cash flows.

	Within one year $'000	Between one and two years $'000	Between two and five years $'000	After five years $'000	Total contractual cash flows $'000	Carrying amounts $'000
2023						
Liabilities						
Payables	**3,886**	**–**	**–**	**–**	**3,886**	**3,886**
Provisions	**136**	**–**	**–**	**–**	**136**	**136**
Total liabilities	**4,022**	**–**	**–**	**–**	**4,022**	**4,022**
2022						
Liabilities						
Payables	1,753	–	–	–	1,753	1,753
Provisions	126	–	–	–	126	126
Total liabilities	**1,879**	**–**	**–**	**–**	**1,879**	**1,879**

ii. Credit risk

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

DXI manages credit risk centrally on behalf of the five entities which together comprise DXI.

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

Financial instrument transactions are spread among a number of approved financial institutions within specified credit limits to minimise DXI's exposure to any one counterparty. As a result, there is no significant concentration of credit risk for financial instruments. The maximum exposure to credit risk at 30 June 2023 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position.

The Group is exposed to credit risk on trade receivable balances. The Group has a policy to continuously assess and monitor the credit quality of trade debtors on an ongoing basis. Given the historical profile and exposure of the trade receivables, it has been determined that no significant concentrations of credit risk exists for receivables balances. The maximum exposure to credit risk at 30 June 2023 is the carrying amounts of the trade receivables recognised on the Group's Consolidated Statement of Financial Position.

iii. Fair value

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

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

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

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

All derivative financial instruments were measured at Level 2 for the periods presented in this report.

All investment properties were appropriately measured at Level 3 including within investments accounted for using the equity method for the periods presented in this report.

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

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

Note 8 Capital and financial risk management (continued)

c. Derivative financial instruments

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

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

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

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

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

Interest rate contracts

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

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

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

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

	2023 $'000	2022 $'000
Net fair value gain/(loss) of derivatives		
Interest rate derivative contracts	–	382
Total net fair value gain of derivatives	–	382

Note 9 Commitments and contingencies

a. Commitments

Capital commitments

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

	2023 $'000	2022 $'000
Investment properties	**692**	57
Investments accounted for using the equity method	**333**	–
Total capital commitments	**1,025**	57

Note 9 Commitments and contingencies (continued)

Lease receivable commitments

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

	2023 $'000	2022 $'000
Within one year	**6,420**	7,060
Later than one year but not more than five years	**18,652**	19,411
Later than five years	**5,330**	8,518
Total lease receivable commitments	**30,402**	34,989

b. Contingencies

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

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

Note 10 Contributed equity

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

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

a. Carrying amount

	2023 $'000	2022 $'000
At the beginning of the year	**93,278**	43,287
Issue of contributed equity	**–**	51,611
Buy-back of contributed equity	**–**	(794)
Equity issuance and buy-back costs	**–**	(826)
At the end of the year	**93,278**	93,278

b. Number of shares on issue

	2023 No.	2022 No.
At the beginning of the year	**317,270,012**	217,001,053
Issue of contributed equity	**–**	101,449,276
Shares issued under distribution reinvestment plan	**–**	712,232
Buy-back of contributed equity	**(100)**	(1,892,549)
At the end of the year	**317,269,912**	317,270,012

On 11 February 2022, DXI announced plans to initiate an on-market securities buy-back of up to 5% of DXI stapled securities on issue over the next 12 months, as part of its active approach to capital management. On 2 February 2023, DXI announced an extension of the buy-back for a period of 12 months commencing on 21 February 2023. During the period to 30 June 2023, DXI acquired and cancelled 100 stapled securities (2022: 1,892,549) representing 0.00% (2022: 0.60%) of DXI stapled securities on issue.

Note 11 Working capital

a. Cash and cash equivalents

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

b. Receivables

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

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

A provision for expected credit losses is recognised for expected credit losses on trade and other receivables. The provision for expected credit losses is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

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

In relation to distributions receivable, an assessment has been performed taking into consideration the ability of the Trusts in which the Group holds an equity accounted interest to cash settle their distributions and pay their fees outstanding.

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

	2023 $'000	2022 $'000
Rent receivable[1]	**173**	308
Less: provision for expected credit losses	**(34)**	(35)
Total rent receivables	**139**	273
Distributions receivable	**166**	–
Other receivables	**223**	863
Total other receivables	**389**	863
Total receivables	**528**	1,136

1 Rent receivable includes outgoings recoveries.

The provision for expected credit losses for rent receivables (which includes outgoings recoveries) as at 30 June 2023 was determined as follows:

Days outstanding	2023 $'000	2022 $'000
0-30 days	**7**	2
31-60 days	**5**	–
61-90 days	**5**	–
91+ days	**17**	33
Total provision for expected credit losses	**34**	35

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

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

	2023 $'000	2022 $'000
Opening provision for expected credit losses	**35**	–
Increase in provision recognised in profit or loss during the year	**34**	35
Closing provision for expected credit losses	**69**	35

Note 11 Working capital (continued)

c. Other assets

	2023 $'000	2022 $'000
Current		
Prepayments	**6**	16
Security deposits received from tenants	**698**	627
Other	**144**	138
Total other current assets	**848**	781

Other current assets for the year ended 30 June 2023 includes $0.1 million (2022: $0.1 million) for land tax for properties owned in Queensland and South Australia that are utilised during the following period.

d. Payables

	2023 $'000	2022 $'000
Current		
Trade payables	**20**	–
Accruals and other creditors	**2,598**	733
Prepaid income	**333**	216
Security deposits received from tenants	**895**	769
GST payable	**40**	35
Total current payables	**3,886**	1,753

e. Provisions

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

In accordance with the Company's Constitution, the Company distributes its distributable income to shareholders by cash or reinvestment. Dividends are provided for when they are approved by the Board of Directors and declared.

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

	2023 $'000	2022 $'000
Provision for land tax	**136**	126
Total current provisions	**136**	126

Note 12 Loans to related entities

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

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

	2023 $'000	2022 $'000
Non-current		
Amounts owing from related entities	**8,407**	4,138
Total non-current loans to related entities	**8,407**	4,138
Total loans to related entities	**8,407**	4,138

Other disclosures

In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

Note 13 Audit, taxation and transaction service fees

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

	2023 $	2022 $
Audit and review services		
Auditors of the Trust - PwC		
Financial Statement audit and review services	**34,506**	29,340
Audit and review fees paid to PwC	**34,506**	29,340
Assurance services		
Auditors of the Trust - PwC		
Outgoings audit	**9,800**	7,374
Other assurance services	**–**	15,000
Assurance fees paid to PwC	**9,800**	22,374
Total audit, review and assurance fees paid to PwC	**44,306**	51,714

Note 14 Cash flow information

a. Reconciliation of cash flows from operating activities

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

	2023 $'000	2022 $'000
Net profit for the year	**6,521**	15,732
Add/(less) non-cash items:		
Straight line lease revenue recognition	**80**	19
Amortisation of incentives	**1,032**	990
Net fair value gain of derivatives	**–**	(382)
Net fair value gain/(loss) of investment properties	**7,721**	(8,115)
Share of net (profit)/loss of investments accounted for using the equity method	**(8,016)**	(7,168)
Net loss on sale of assets	**–**	24
Change in operating assets and liabilities:		
(Increase)/decrease in receivables	**100**	(251)
(Increase)/decrease in other assets	**(67)**	(621)
(Increase)/decrease in investments accounted for using the equity method	**1,493**	–
(Decrease)/increase in provisions	**10**	–
(Decrease)/increase in payables	**1,501**	(1,067)
(Decrease)/increase in lease liabilities	**244**	–
(Decrease)/increase in deferred tax	**(2,749)**	3,379
Net cash inflow from operating activities	**7,870**	2,540

Note 14 Cash flow information (continued)

b. Net debt reconciliation

	2023 $'000	2022 $'000
Opening balance	**(4,138)**	10,708
Changes from financing cash flows		
Proceeds from loans with related entities	**32,307**	35,669
Repayment of loans with related entities	**(36,576)**	(50,515)
Closing balance	**(8,407)**	(4,138)

Note 15 Related parties

Transactions with key management personnel

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

Transactions with the related body corporate

The Manager of Industria Company No. 1 Limited is DXAM. Dexus PG Limited (DXPG) (ACN 109 846 068), the immediate parent entity of DXAM and its controlled entities are wholly owned subsidiaries of Dexus. Accordingly, transactions with entities related to DXPG are disclosed below:

	2023		2022	
	Paid $'000	Payable $'000	Paid $'000	Payable $'000
Management fees[1]	**777**	**288**	734	317
Property management and leasing fees[2]	**–**	**534**	101	89
Total[3]	**777**	**822**	835	406

1 DXAM is entitled to a base management fee of 0.55% per annum of the Gross Asset Value of DXI (reducing to 0.50% p.a. of Gross Asset Value in excess of $750m and 0.45% p.a. of Gross Asset Value in excess of $1,500m). Management fees are allocated to the entities comprising DXI on a fair and reasonable basis and in accordance with each entities' Constitution.

2 DXAM is party to a property management agreement with Dexus Property Services Limited a wholly owned subsidiary of Dexus. Under this agreement Dexus Property Services Limited is entitled to charge a fee of up to 2% of gross property income. APN Asset Services Pty Ltd, a wholly owned subsidiary of Dexus previously provided these services.

3 DXI has investments in entities that are managed by subsidiaries wholly owned by Dexus. These investments also pay fees to Dexus that are not included within this note disclosure.

Note 15 Related parties (continued)

Transactions with the Responsible Entity and related body corporate (continued)

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

	2023		2022	
	Number of securities	Distributions $	Number of securities	Distributions $
Dexus Diversified Fund	**11,382,460**	**1,866,723**	11,382,460	1,548,516
APD Trust	**44,261,005**	**7,258,805**	44,261,005	7,178,582
Dexus AREIT Fund	**3,657,216**	**599,783**	3,657,216	554,909
Dexus Property for Income Fund	**292,869**	**48,031**	292,869	46,633
Dexus Property for Income Fund No.2	**92,684**	**15,200**	92,684	14,758
CFS Dexus AREIT Fund	**521,693**	**85,558**	521,693	83,765
Geoff Brunsdon AM[1]	**–**	**–**	140,771	11,741
Tim Slattery[2]	**–**	**–**	–	126
Joseph De Rango[3]	**–**	**–**	7,814	676
Danielle Carter[4]	**15,964**	**1,309**	–	–
Jonathan Sweeney[4]	**23,800**	**1,952**	–	–
Jennifer Horrigan	**36,859**	**6,045**	–	–
Total	**60,284,550**	**9,883,406**	60,356,512	9,439,706

1 Resigned, effective 28 February 2022.
2 Resigned, effective 13 August 2021.
3 Resigned, effective 1 March 2022.
4 Appointed, effective 17 October 2022.

As at 30 June 2023, 19.00% (2022: 19.02%) of DXI's stapled securities were held by related parties.

Note 16 Controlled entities

	Country of incorporation	Percentage owned %	
		2023	2022
Parent entity			
Industria Company No.1 Limited	Australia		
Controlled entities of Industria Company No.1 Limited			
APN DF1 SPV1 (Qld) Pty Limited[1]	Australia	**100%**	100%
APN DF1 SPV2 (Qld) Pty Limited[1]	Australia	**100%**	100%
APN DF1 SPV3 (Qld) Pty Limited[1]	Australia	**100%**	100%
McKechnie Drive Pty Limited[1]	Australia	**100%**	100%
BTP Central Pty Limited[1]	Australia	**100%**	100%
Connect Office Services Pty Limited[1]	Australia	**100%**	100%

1 Entity forms part of the tax-consolidated group.

Note 17 Parent entity disclosures

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

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

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

Note 17 Parent entity disclosures (continued)

a. Summary financial information

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

	2023 $'000	2022 $'000
Financial position		
Total current assets	**622**	579
Total non-current assets	**167,957**	161,561
Total assets	**168,579**	162,140
Total current liabilities	**(2,620)**	(979)
Total non-current liabilities	**(8,682)**	(11,240)
Total liabilities	**(11,302)**	(12,219)
Net assets	**157,277**	149,921
Equity		
Contributed equity	**93,278**	93,278
Retained profits	**64,000**	56,643
Total equity	**157,278**	149,921
Financial performance		
Net profit for the year	**7,267**	14,288
Total comprehensive income for the year	**7,267**	14,288

b. Guarantees entered into by the parent entity

At 30 June 2023, the parent entity had not provided guarantees (2022: nil).

c. Contingent liabilities

At 30 June 2023, the parent entity had no had no contingent liabilities (2022: nil).

d. Capital commitments

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

	2023 $'000	2022 $'000
Investment properties	**3**	19
Investment accounted for using the equity method	**333**	–
Total capital commitments	**336**	19

e. Going concern

The parent entity is a going concern. The entity recorded a net current asset deficiency of $2.0 million as at 30 June 2023 (2022: $0.4 million). DXI stapled group has a centralised treasury function which provides access to unutilised facilities of $57 million (2022: $55.8 million) and sufficient working capital and cash flows in order to fund it's debts as and when they become due and payable.

Note 18 Subsequent events

The Group has communicated with its panel of independent real estate valuation firms to understand whether any changes subsequent to the balance date would have changed their view regarding the 30 June 2023 real estate valuations. In particular, the Group considered the economic environment, including but not limited to inflation, interest rates and capital flows. The independent valuation firms have not provided information to indicate that the independent valuations at 30 June 2023 are not appropriate.

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

Directors' Declaration

The Directors of Dexus Asset Management Limited as the Manager of Industria Company No. 1 Limited and its controlled entities declare that the Consolidated Financial Statements and Notes set out on pages 9 to 33:

i. Comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

ii. Give a true and fair view of the Group's financial position as at 30 June 2023 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date.

In the Directors' opinion:

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

b. There are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable.

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

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

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

Jennifer Horrigan
Chair
9 August 2023

Independent auditor's report

To the shareholders of Industria Company No. 1 Limited

Our opinion

In our opinion:

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

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

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

What we have audited

The Group financial report comprises:

- the Consolidated Statement of Financial Position as at 30 June 2023
- the Consolidated Statement of Comprehensive Income for the year then ended
- the Consolidated Statement of Changes in Equity for the year then ended
- the Consolidated Statement of Cash Flows for the year then ended
- the Notes to the Consolidated Financial Statements, which include significant accounting policies and other explanatory information
- the Directors' Declaration.

Basis for opinion

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

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

Independence

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

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

Liability limited by a scheme approved under Professional Standards Legislation.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon through our opinion on the financial report. We have issued a separate opinion on the remuneration report.

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

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

Responsibilities of the Directors for the financial report

The Directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included on page 4 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the remuneration report of the Industria Company No. 1 Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Samantha Johnson

Samantha Johnson
Partner

Sydney
9 August 2023