Growthpoint Properties Australia

Growthpoint Properties Australia Trust ARSN 120 121 002
Growthpoint Properties Australia Limited ABN 33 124 093 901 AFSL 316409

www.growthpoint.com.au

space to thrive

2018 Annual Report

For the year ended 30 June 2018

GROWTHPOINT PROPERTIES

> All areas of the business continue to contribute to a common goal; delivering sustainable income returns and long-term capital appreciation for Securityholders from properties we own and manage

**Geoff Tomlinson,
Chairman**

A1, 32 Cordelia Street and
A4, 52 Merivale Street, South Brisbane, QLD

What's inside

Directors' Report

About the Directors' Report

The Directors' Report which follows is signed in Melbourne on 16 August 2018 in accordance with a resolution of the Directors of Growthpoint Properties Australia Limited.

The Directors' Report comprises pages 4 to 53 of this report except where referenced otherwise.

Further information can be found in the 2018 Sustainability report

Download from *growthpoint.com.au/sustainability/operating-sustainably/*

About this Report

This is the Annual Report for Growthpoint Properties Australia (comprising Growthpoint Properties Australia Limited, Growthpoint Properties Australia Trust and its controlled entities) for the year ended 30 June 2018. It is available online at *www.growthpoint.com.au* and in hard copy. Persons can request a hard copy through any of the communication methods listed on the inside back cover of this report.

This report provides readers with an overview of Growthpoint's business including summaries of the strategies, objectives, assets, operating model, achievements, key risks and opportunities at 16 August 2018 as well as detailed financial information over the last six months, one year and five year periods. There are also references which enable readers to obtain more information should they wish to.

FY18 Highlights

Returns

3.3%
Increase in distributions per security to 22.2cps
(FY17: 21.5cps)

25.0cps
Funds From Operations
(FY17: 25.5cps)

10.8%
Increase in net tangible assets to $3.19
(FY17: $2.88)

Property

$3.4bn
Property portfolio value
(FY17: $3.3bn)

$205.4m
New assets purchased[1]
(FY17: $469.9m)

$90.8m
Strategic asset sales
(FY17: $259.1m)

Capital management

- Lower gearing
- Higher percentage of fixed debt
- Maintained debt maturity

5.0yrs
Weighted average debt maturity (WADM)
(30 June 2017: 5.0yrs)

33.9%
Gearing
Decrease of 460bps
(30 June 2017: 38.5%)

7%
Increase in percentage of fixed debt to 82%
(30 June 2017: 75%)

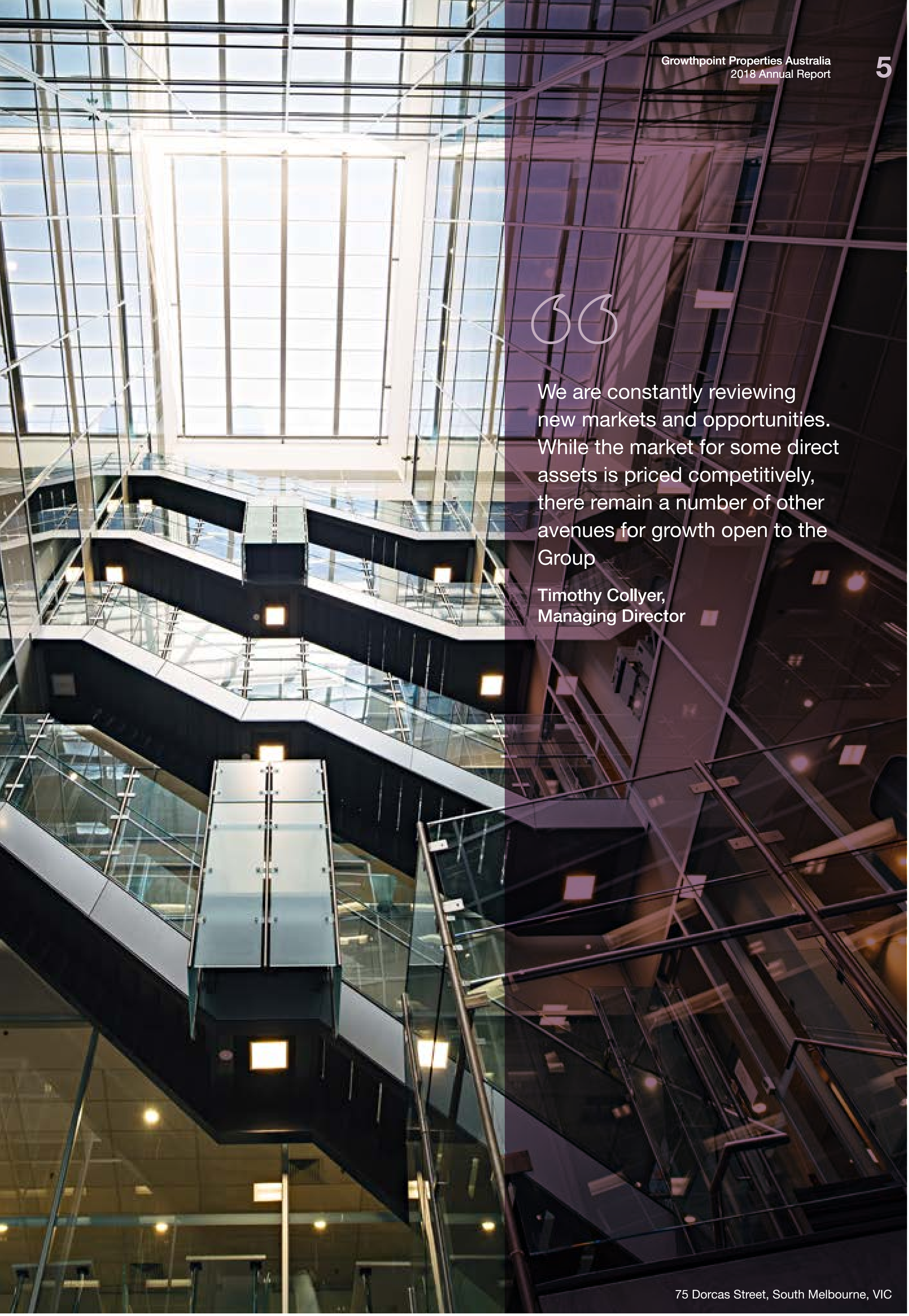
Sustainability

- Increased average portfolio NABERS energy rating to 4.6 stars
- Increased gender diversity of employees
- Targeting net zero emissions across all properties under operational control by 2050

50%
of employees are female
(30 June 2017: 43%)

4.6★
Average NABERS Energy rating
(30 June 2017: 4.5 stars)

1. Includes acquisition of 836 Wellington Street, West Perth, WA for $91.3 million announced 18 July 2018.



"We are constantly reviewing new markets and opportunities. While the market for some direct assets is priced competitively, there remain a number of other avenues for growth open to the Group

Timothy Collyer,
Managing Director

75 Dorcas Street, South Melbourne, VIC

A1, 32 Cordelia Street, South Brisbane, QLD

Chairman's Report

Consistent and transparent business model

Dear Securityholders,

The 2018 financial year was another strong year for Growthpoint with the Group continuing on a path of executing on its promises and growing distributions for Securityholders.

Over the year investors in Growthpoint securities achieved a total return of 22.3%, outperforming the ASX300 A-REIT Acc Index by 10.1 percentage points, an excellent achievement and validation of the Group's portfolio strategy and execution. Importantly this outperformance extends to longer term time periods, with outperformance also achieved over 3 and 5 years (see chart on the right of page).

In October 2017 we introduced a new Board member in Josephine Sukkar AM. Josephine joins as the Group's fourth Independent Director and brings with her significant construction expertise with over 27 years running a large building company in Sydney. Importantly, this coincides with the Group commencing construction of a high-quality, A-grade office building on vacant land at the Botanicca Corporate Park in the inner-city Melbourne suburb of Richmond. Josephine's appointment brings female representation on the Board to 25% (from 14% at 30 June 2017).

Recognising the increasing burden of energy costs for our tenants, and with a view to reducing our carbon footprint as an organisation, Growthpoint has identified a number of potential solar projects it will look to progress over FY19. Investment in these projects demonstrates a genuine commitment to renewable energy being made by the Group, while importantly making our property portfolio more efficient to attract the highest quality tenants. More information on these projects can be found in the Group's FY18 Sustainability Report.

To ensure the Group is maintaining pace with best practice across the sector, PwC were asked as part of their annual engagement to review the existing executive remuneration framework. The Nomination, Remuneration and HR Committee has recommended to implement three key changes from FY19 it believes will further align the interests of Securityholders with Management remuneration. More information on the Group's remuneration can be found on pages 37 to 52 of this report.

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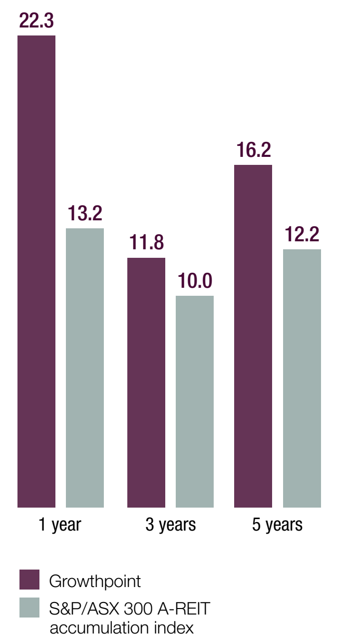
We believe the Group is well positioned to take advantage of a number of exciting new opportunities to continue growing the business in a sustainable way. With strong support from our majority Securityholder, Growthpoint Properties Limited, we enter FY19 with enthusiasm and a belief that we can continue delivering the best outcomes for our Securityholders, creating additional value from properties we own and continuing to grow our portfolio.

On behalf of the Board, I would like to thank all our Securityholders for their continued support of Growthpoint. I would also like to thank our employees, tenants, third party suppliers, debt providers, directors and other stakeholders for their continued contribution to our success.

Geoff Tomlinson
Independent Chairman & Director
Growthpoint Properties Australia Limited

Total Securityholder return over 1, 3 & 5 years (%)[1]



1. Source: UBS Investment Research: Annual compound returns to 30 June 2018.

333 Ann Street, Brisbane, QLD

Managing Director's Report

Growthpoint delivers another year of positive operational performance and financial returns

Dear Securityholders,

On behalf of Growthpoint's management team, I am pleased to present the FY18 Annual Report which demonstrates another strong year of operational performance and financial returns for Securityholders. Over the year the Group achieved a record statutory profit of $357.7 million and delivered an above-sector total return of 22.3% to our Securityholders. Other key highlights over the year were:

- Statutory earnings of 53.5 cents per security (cps), which is the highest reported EPS of any year since Growthpoint's inception in 2009
- FFO of 25.0 cps, a decrease of 2.0% on FY17
- Annual distribution of 22.2 cps, an increase of 3.3% on FY17
- 10.8% increase in NTA per security, up from $2.88 at 30 June 2017 to $3.19
- Completed over $257.2 million in property and equity transactions, taking advantage of strong pricing to sell property and reinvest favourably into markets we know and understand
- Undertook 132,433 sqm of new and extended leasing, equating to 13% of total portfolio lettable area, maintaining portfolio occupancy at 98%
- Reduced gearing by 460 basis points (bps), from 38.5% at 30 June 2017 to 33.9% giving the Group significant flexibility to take advantage of growth opportunities should they arise
- Successfully extended near-term debt maturities, maintaining the Group's weighted average debt maturity at 5 years, with no refinancing required until September 2020
- Increased the average NABERS energy rating for the office portfolio from 4.5 stars at 30 June 2017 to 4.6 stars at 30 June 2018

Continued repositioning of the portfolio was achieved via transactions weighted towards the first half, with the Group acquiring four adjoining, modern industrial warehouses at Perth Airport, Western Australia for $46 million, providing an initial passing yield of 8.1%. We also announced the acquisition of an 18.2% interest in Industria REIT for approximately $68.1 million, equating to $2.30 per IDR security and an attractive DPS yield of 7.2%. Post-FY18 balance date, Growthpoint entered into transaction documents for the acquisition of 836 Wellington Road, West Perth for $91.3 million. This is Growthpoint's first office investment in Perth after a long period of due diligence on the Perth office property market which is showing clear signs of a turnaround.

Importantly these acquisitions were funded by asset sales which achieved attractive prices. An example of this is 522-550 Wellington Road, Mulgrave, Victoria which sold in December 2017 for $90.75 million, representing a 37.7% premium to the 30 June 2017 book valuation. Achieving a high price on exit and re-investing proceeds into new markets where we believe will achieve long-term upside is a strategy management will continue to deploy.

We are constantly reviewing new markets and opportunities to generate the best outcomes for Securityholders. To this end the Group has a pipeline of development and expansion projects it will look to undertake over the next two years, including the exciting development of a new, 19,300 square metre (sqm) A-Grade office building in Richmond, Victoria.

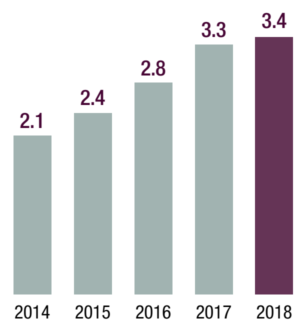
Transactions over the year coupled with further uplift in valuations helped reduce gearing by 460 bps to 33.9% giving the Group significant flexibility moving forward. This lower level of gearing, coupled with the successful extension of bank debt leaves the balance sheet in an excellent position to explore further growth opportunities as we move into FY19.

T.J. Collyer.

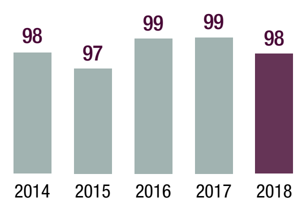
Timothy Collyer
Managing Director

Growthpoint Properties Australia Limited

Total portfolio value ($b)
as at 30 June



Portfolio occupancy (%)
as at 30 June



Considered investment decisions in competitive direct property market

Market opportunities not limited to direct property acquisition

LISTED MARKET

18.2%

Stake in Industria REIT (ASX: IDR)

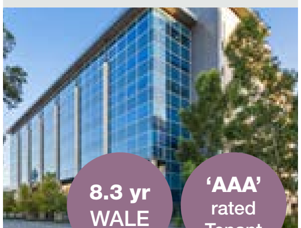
- Acquired stake in July 2017 for $2.30 per security ($68.1 million)
- Value as at 30 June 2018: $2.65 per security ($78.5 million)
- Continue to evaluate IDR whilst receiving attractive income yield

NEW DIRECT MARKETS

$91.3m

Inaugural investment into Perth office market

- Long period of due diligence on Perth office market
- Recovery in Perth to be driven by recent improvement in business investment and removal of substantial sub-leasing from the market over a recent period of subdued development



8.3 yr WALE

'AAA' rated Tenant

RETAIL MARKET REVIEW

Completed detailed review of retail market in May 2018

- Continue to believe no investment in retail is correct strategy at this time
- Difficult to identify catalyst for rebound in consumer spending
- Sector undergoing significant structural change
- Expect significant retail property to be on the market over next 12-24 months and yields to rise for some retail property categories

BIDDING ON DIRECT PROPERTY INVESTMENTS

$1.5bn

Opportunities reviewed in FY18

$0.8bn

Opportunities bid on in FY18

$137.3m

Direct properties acquired[1]

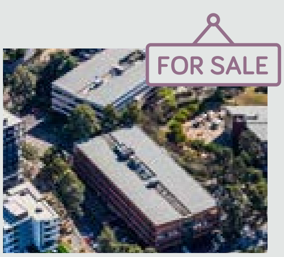
1. Includes acquisition of 836 Wellington Street, West Perth, WA for $91.3 million, expected to settle in October 2018.

Portfolio opportunities to maximise value

STRATEGIC DIVESTMENTS

Sell property with residential conversion upside

522-550 Wellington Road, Mulgrave, VIC sold for $90.8 million – 37.7% premium to book value



Quads 2 & 3, Sydney Olympic Park, NSW – Marketing commenced July 2018

INTERNAL DEVELOPMENT OPPORTUNITIES

Pipeline of >$200m in development and expansion opportunities, led by:

Botanicca 3 development at Richmond, VIC – development yield on cost between 7.5% and 8.5%

Gepps Cross Expansion, SA – Negotiating with tenant regarding potential $50 to $60 million expansion

Robust capital position
well placed for future growth

BALANCE SHEET

33.9%

Gearing – reduced by 460bps, below bottom of target gearing range

$320m

Undrawn debt

5yrs

WADM – maintained due to extension of near-term debt facilities

EQUITY CAPITAL

Good access to equity capital

- Supportive majority Securityholder in Growthpoint Properties Limited (JSE code: GRT)
- GRT has a stated internationalisation strategy to increase offshore EBITDA contribution to 30% (from 15%)
- Ongoing support from domestic and other offshore institutional investors

Capacity to take advantage of the right opportunities

As the market for direct assets on Australia's Eastern seaboard continues to be priced competitively there remain a number of avenues for growth open to the Group with the balance sheet well positioned to provide support

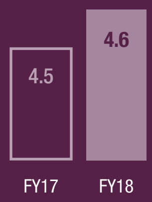
Timothy Collyer
Manging Director


836 Wellington Street, West Perth, WA

FY18 Sustainability Highlights

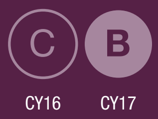
Environment

Targeting net zero emissions by 2050 across all properties under operational control



4.6★

Average NABERS Energy rating
(FY17: 4.5 stars)



B

2017 CDP Climate Performance score
(CY16: C rating)

Social

50%

of employees are women
(30 June 2017: 43%)

$47,786

Donations
(FY17: $30,617)

Governance

Baa2

grade credit rating maintained since November 2015

Improved board diversity to 25% female
(30 June 2017: 14%)

Operations

$524.3m

Economic Value Provided in FY18[1] comprising $248.2m Generated Value[2] and $276.0m Distributed Value[3]
(FY17: $564.2m)

$21.9m

Taxes paid in FY18[4] equating to 8.6% of revenue
(FY17: $27.2m, 10.4% of revenue)

1. Economic Value Provided is the sum of Economic Value Generated and Economic Value Distributed (calculated in accordance with GRI methodology).
2. Economic Value Generated is the sum of cash receipts from customers plus interest received.
3. Economic Value Distributed is the sum of Director and employee wages and benefits, payments to providers of capital, payments to Australian governments and all other cash expenses
4. Consists of stamp duty, net GST, income tax, payroll tax and mortgage duties calculated in accordance with GRI methodology.

Planned renewable energy projects being investigated through FY19

599 Main North Rd, Gepps Cross, SA

- Negotiating with tenant regarding $50 to $60 million expansion of Gepps Cross
- Exploring the use of sustainable energy options including the proposed addition of a 1.6MW solar farm

Botanicca 3, 572-576 Swan St, Richmond, VIC

- Design and construct building contract for the Botanicca 3 development includes provision for a total of 120kW solar photovoltaic roof mounted installation.
- Detailed design is currently underway
- Structural and spatial provision for future battery storage infrastructure (for connection to solar PV system) is being considered as part of the project
- Project completion scheduled for second half of CY20

75 Dorcas St, South Melbourne, VIC

- Feasibility study completed to identify most viable solar projects within Growthpoint portfolio
- Dorcas Street suitable investment proposition based on:
  - Size of roof
  - Payback period
  - Percentage offset of existing energy usage
- Systems to generate up to 200kW
- Estimated savings of ~300tCO_2-e per annum
- Emissions saving equivalent to taking 66 cars off the road for a full year
- Project to progress through FY19

120 Northcorp Boulevard, Broadmeadows, VIC

Dion Andrews
Chief Financial Officer

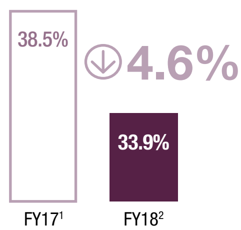
Pascal Moutou
Finance Manager

Financial Management

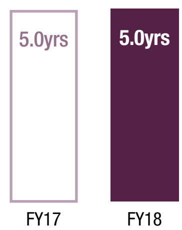
Further progress on balance sheet strategy

Strategic Execution

Maintain gearing within 35%-45% range

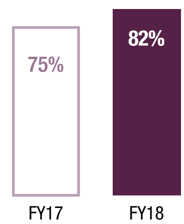


Maintained average debt maturity



Increase fixed debt percentage

7%



Securityholders benefited from a number of accretive acquisitions made over the year which helped to improve on our initial Funds From Operations guidance by 5.9% (from at least 23.6 cents per security), while asset sales above book value and strong revaluation gains supported further reductions in gearing, leaving the balance sheet well positioned to take advantage of the right opportunities.

Highlights for FY18

- FFO of 25.0 cents per security
- Distributions of 22.2 cents per security equating to a payout ratio of 88.8%
- Gearing of 33.9%, down 460 basis points from 30 June 2017[1]
- NTA per security of $3.19, 10.8% above 30 June 2017
- Maintained a weighted average debt maturity of 5.0 years; and
- Increased the overall level of fixed debt to 82%, from 75% at 30 June 2017

Progress on Financial Management strategy

Over the year the Group extended $515 million of near term bank debt expiring in mid-FY19 to maintain a weighted average debt maturity of 5 years. After significant work in FY17 to further diversify the Group's debt funding profile, the Group now retains a good balance between shorter term, more flexible bank debt and longer term fixed debt. The Group will continue to act quickly and decisively on upcoming expiries, the first being in September 2020, and will look to all available debt markets for the best solution for Securityholders when new debt is required.

Gearing 33.9% as at 30 June 2018

Gearing as at 30 June 2018 was 33.9%, down from 38.5%[1] as at 30 June 2017, below the bottom of the target range of 35% - 45%.

17 The chart on page 17 tracks the events that impacted gearing during the year.

At financial year end the Group held $320 million of undrawn debt facilities as it pursues a number of growth opportunities. Over time, as part of a prudent gearing strategy, holding approximately $100 million in undrawn debt will to allow for flexibility in transactions, while aiming to minimise the cost burden of holding undrawn debt lines.

Fixed debt percentage increased to 82%

At 30 June 2018, fixed debt was 82%, up from 75% at 30 June 2017. The weighted average fixed debt maturity is 5.5 years which means a high percentage of debt is protected for the medium term against any future interest rate rises.

1. Gearing calculation changed during the period from interest bearing liabilities divided by total assets to interest bearing liabilities less cash divided by total assets less cash. This change brings Growthpoint's gearing calculation more closely in line with industry peers.
2. Gearing at 30 June 2018 below target gearing range. See page 17 of this report for pro forma.

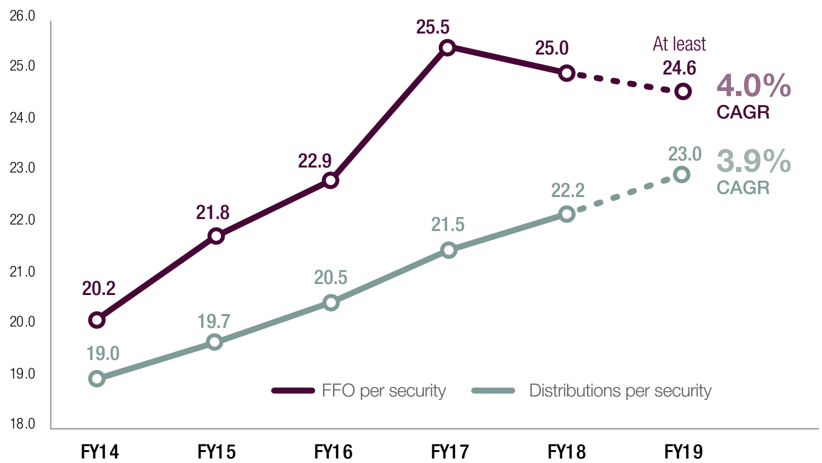
Financial Management continued

Increasing Distributions and FFO per security

The graph at right illustrates the increase in distributions and FFO per security over five years, including FY19 guidance. Growthpoint has been able to achieve its medium-term target of growing distributions by 3%-4% annually, based on a high percentage of fixed income increases in leases (WARR of 3.3%) and a high proportion of debt costs being fixed. This, along with low operating expenses of approximately 0.4% of average gross assets per annum, has allowed the Group to grow distributions at a CAGR of 3.9% for the five years up to and including FY18.

Importantly, as the graph shows, over the same time period Growthpoint has been able to grow FFO at a higher rate of 4.0%, ensuring that distribution growth is covered by earnings growth.

Long-term growth in FFO and distributions (cps)



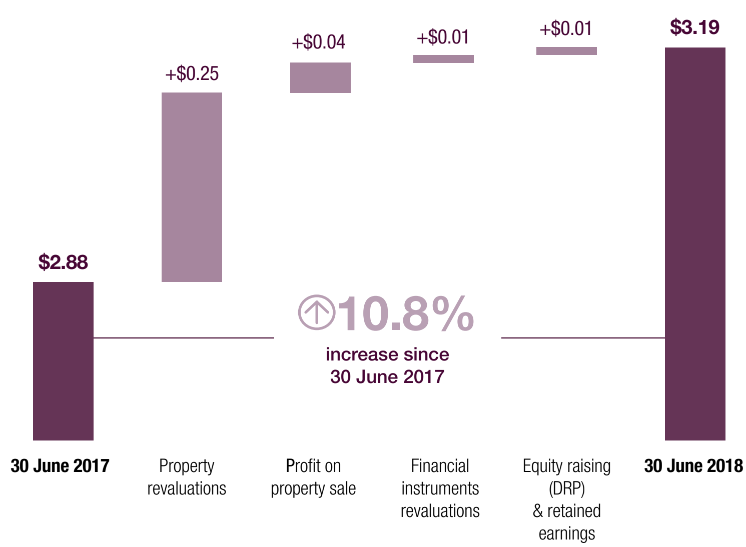
Outlook for FY19

Subject to market conditions, the Group expects FY19 FFO to be at least 24.6 cents per stapled security and distributions to be 23.0 cents per stapled security, representing a 3.6% increase in distributions to Securityholders. This is within the Group's medium-term target range of 3-4% increase in distributions per security growth per annum and equates to a FY19 payout ratio to FFO being a maximum 93.5%.

FY19 guidance takes into account the West Perth acquisition announced 18 July 2018, up to $110 million of asset sales expected to take place throughout FY19 and the Dividend Reinvestment Plan activated for the August 2018 distribution.

Growthpoint will continue to distribute as much FFO as is reasonably prudent to Securityholders. In determining its payout ratio, Growthpoint will consider its capital expenditure, tenant incentive and working capital requirements over the medium term as well as current and anticipated business and financial conditions, especially as they relate to raising debt and equity capital.

Movements in NTA per stapled security ($)

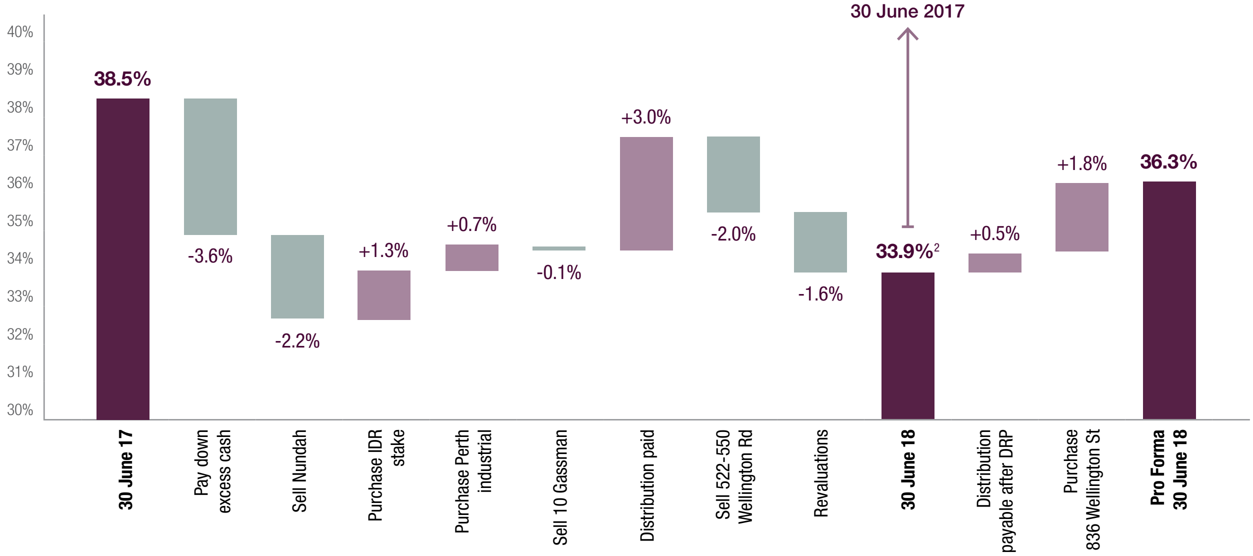


Key debt metrics and changes during FY18

		30 June 2018	30 June 2017	Change
Gross assets	*$'000*	**3,474,569**	3,328,372	146,197
Interest bearing liabilities	*$'000*	**1,197,555**	1,299,380	(101,825)
Total debt facilities	*$'000*	**1,523,482**	1,473,482	50,000
Undrawn debt	*$'000*	**320,000**	167,856	152,144
Gearing[1]	*%*	**33.9**	38.5	(4.6)
Weighted average interest rate	*%*	**4.4**	4.3	0.1
Weighted average debt maturity	*years*	**5.0**	5.0	–
Annual Interest Coverage Ratio (ICR) / Covenant ICR	*times*	**3.9 / 1.6**	4.1 / 1.6	(0.2) / –
Actual Loan to Value Ratio (LVR) / Covenant LVR	*%*	**36.1 / 60**	40.2 / 60	(1.9) / –
Weighted average fixed debt maturity	*years*	**5.5**	6.4	(0.9)
% of debt fixed	*%*	**82**	75	7
Debt providers	*no.*	**17**	17	–

Items influencing gearing[1] for the year ended 30 June 2018

460bps
reduction since 30 June 2017



1. Gearing calculation changed during the period from interest bearing liabilities divided by total assets to interest bearing liabilities less cash divided by total assets less cash. This change brings Growthpoint's gearing calculation more closely in line with industry peers.
2. Numbers may not sum due to rounding.

Funds From Operations (FFO)

FFO is the net profit available for distribution from the Group which excludes accounting adjustments such as fair value movements to the value of investment property and interest rate swaps, depreciation, profits or losses on sale of investment properties, deferred tax and amortisation of tenant incentives. FFO is non-IFRS financial information and has not been subject to review by the Group's external auditors.

FFO has been provided to allow Securityholders to identify that income which is available to distribute to them and will assist in the assessment of relative performance of the Group.

Reconciliation from statutory profit to FFO

	FY18	FY17	Change	% Change
	$'000	*$'000*	*$'000*	*%*
Profit after tax	**357,709**	**278,090**	**79,619**	**28.6**
Less non-FFO items:				
- Straight line adjustment to property revenue	(5,962)	(2,522)	(3,440)	
- Net changes in fair value of investment property	(166,958)	(118,157)	(48,801)	
- (Profit) / loss on sale of investment property	(24,419)	1,123	(25,542)	
- Net change in fair value of investment in securities	(10,368)	-	(10,368)	
- Net change in fair value of derivatives	573	(2,382)	2,955	
- Depreciation	293	162	131	
- Amortisation of incentives	16,327	9,969	6,358	
- Deferred tax benefit	(117)	(185)	68	
FFO	**167,078**	**166,098**	**980**	**0.6**

The FY18 payout ratio, calculated as distributions on ordinary stapled securities divided by FFO, was 88.8% (FY17: 84.3%).

Details about distribution components under the attribution managed investment trust or "AMIT" regime (only relevant for the full year distribution) and Fund Payment amounts (only relevant for foreign holders) will be made available on Growthpoint's website on or before the relevant distribution date.

For more information go to:

growthpoint.com.au/investor-centre/distributions/

Operating and capital expenses

Operating expenses		**FY18**	FY17
Total operating expenses	*$'000*	**13,362**	12,385
Average gross assets value	*$'000*	**3,377,737**	3,204,716
Operating expenses to average	*%*	**0.40**	0.39

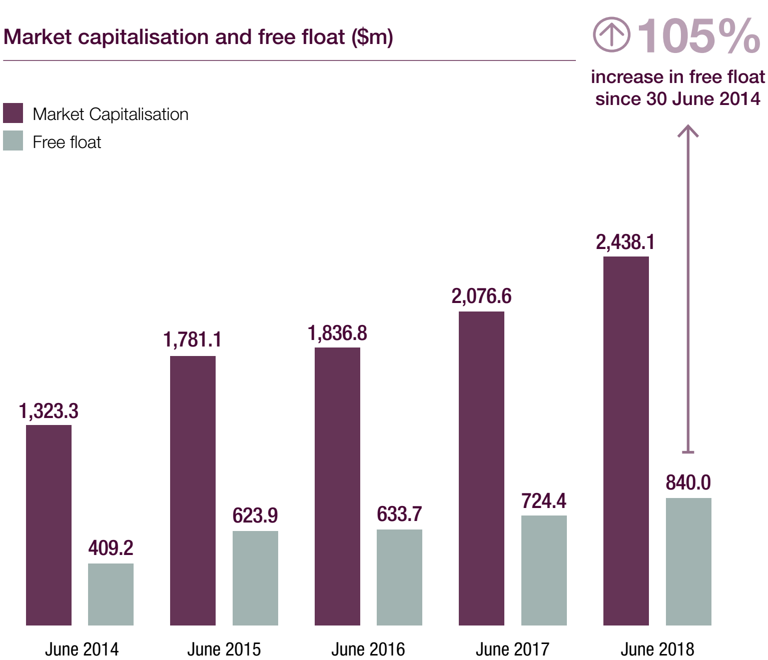
Capital expenditure		**FY18**	FY17
Total portfolio capex	*$'000*	**10,315**	10,042
Average property asset value	*$'000*	**3,236,038**	2,915,710
Capital expenditure to average property portfolio value	*%*	**0.32**	0.34

Five year performance summary

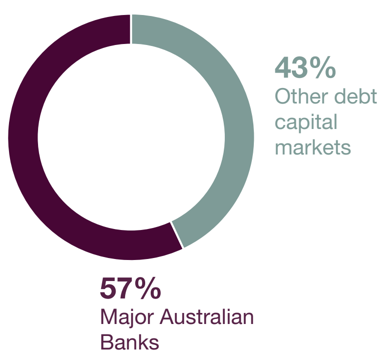
Long-term sustainable returns

As at 30 June		2018	2017	2016	2015	2014
Financial performance						
Investment income	$m	**466.3**	383.4	302.1	361.5	198.5
Profit for the period	$m	**357.7**	278.1	219.4	283.0	117.3
Financial position						
Total assets (at 30 June)	$m	**3,474.6**	3,328.4	2,879.6	2,407.1	2,128.8
Total equity (at 30 June)	$m	**2,157.0**	1,901.5	1,522.4	1,411.5	1,165.1
Securityholder value						
Basic and diluted earnings per security	¢	**53.5**	42.7	38.1	50.4	25.7
Funds From Operations per security	¢	**25.0**	25.5	22.9	21.8	20.2
Distributions per security	¢	**22.2**	21.5	20.5	19.7	19.0
Total Securityholder return[1]	%	**22.3**	6.3	7.4	36.4	10.8
Return on equity	%	**18.5**	18.6	13.5	23.9	17.5
Gearing (at 30 June)	%	**33.9**	38.5	41.2	36.3	40.3
NTA per security (at 30 June)	$	**3.19**	2.88	2.61	2.48	2.16
Market capitalisation (at 30 June)	$m	**2,438.1**	2,076.6	1,836.8	1,781.1	1,323.3
Other information						
Number of securities on issue (at 30 June)	No.	**675,384,368**	661,340,472	583,125,744	569,027,781	540,115,360

Market capitalisation and free float ($m)



Total debt facilities (%)
as at 30 June 2018



1. Source: UBS Investment Research.

Property Portfolio overview

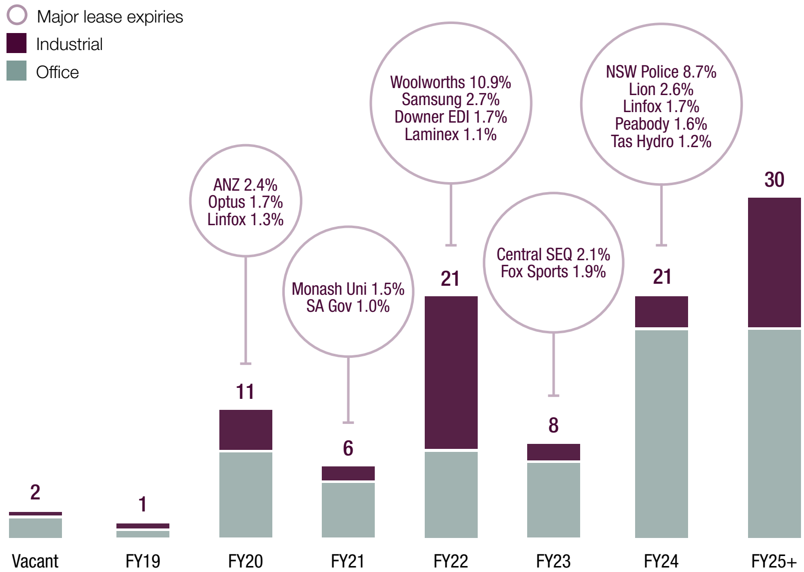
Michael Green
Chief Investment Officer

26
Office properties
– equal to 26 at 30 June 2017

31
Industrial properties
– down from 32 at 30 June 2017

98%
Portfolio occupancy
– down from 99% at 30 June 2017

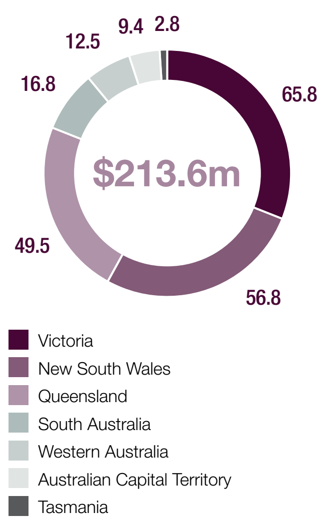
Portfolio lease expiry profile (%)
per financial year, by income



Top ten tenants
by passing rent, as at 30 June 2018

	%	WALE (yrs)
Woolworths	15	4.5
NSW Police	9	5.9
Commonwealth of Australia	5	7.8
Country Road / David Jones	4	13.9
Linfox	4	4.9
Samsung Electronics	3	3.7
Lion	3	5.8
ANZ Banking Group	2	1.7
Jacobs Group	2	7.0
Queensland Urban Utilities	2	4.8
Total / weighted Average	**49**	**5.9**
Balance of portfolio	51	4.7
Total portfolio	**100**	**5.3**

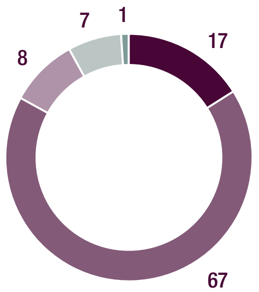
NPI per State / Territory ($m)
for the year ended 30 June 2018



Five year performance summary

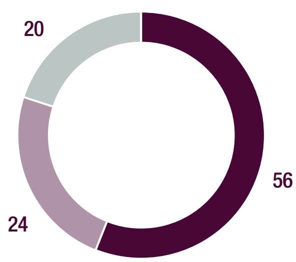
As at 30 June		2018	2017	2016	2015	2014
Number of properties	*no.*	**57**	58	58	53	51
Total value	*$m*	**3,356.1**	3,283.8	2,832.6	2,372.5	2,093.7
Occupancy	*%*	**98**	99	99	97	98
Like-for-like value change	*$m / % of asset value*	**193.8 / 6.2**	138.6 / 5.2	130.2 / 5.5	186.0 / 9.0	52.1 / 3.0
Total lettable area	*sqm*	**1,003,444**	1,056,336	1,109,545	1,050,611	1,036,740
Weighted average property age	*years*	**10.6**	9.6	9.2	8.3	7.9
Weighted average valuation cap rate	*%*	**6.2**	6.5	6.9	7.3	7.9
WALE	*years*	**5.3**	6.1	6.9	6.7	6.9
WARR[1]	*%*	**3.3**	3.3	3.1	3.0	3.2
Average value (per sqm)	*$*	**3,345**	3,109	2,553	2,258	2,019
Average rent (per sqm, per annum)	*$*	**238**	231	198	183	171
FY net property income	*$m*	**213.6**	223.3	181.2	171.8	148.7
Number of tenants	*no.*	**142**	145	116	97	90

Annual rent review type[2] (%)
as at 30 June 2018



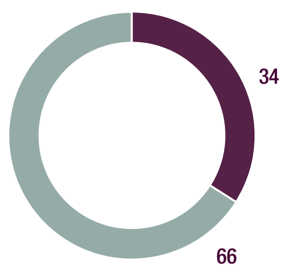
- Fixed 2.00-2.99%
- Fixed 3.00-3.99%
- Fixed over 4.00%
- CPI
- CPI +1.00%

Tenant type (%)
by income, as at 30 June 2018



- Listed company
- Government owned
- Private company & other

Sector diversity (%)
by property value, as at 30 June 2018

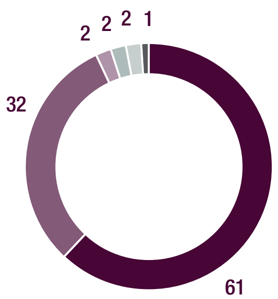


- Industrial
- Office

1. Assumes CPI change of 2.1% per annum as per Australian Bureau of Statistics released for FY18.
2. Leases that have a minimum lease increase, typically 3%, or CPI are shown as the minimum fixed rate for the above.

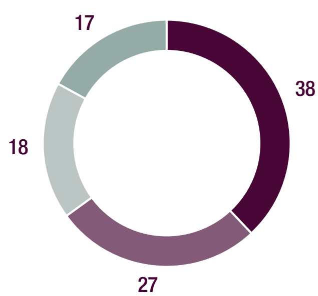
Property Portfolio overview continued

Tenant use (%)
as at 30 June 2018

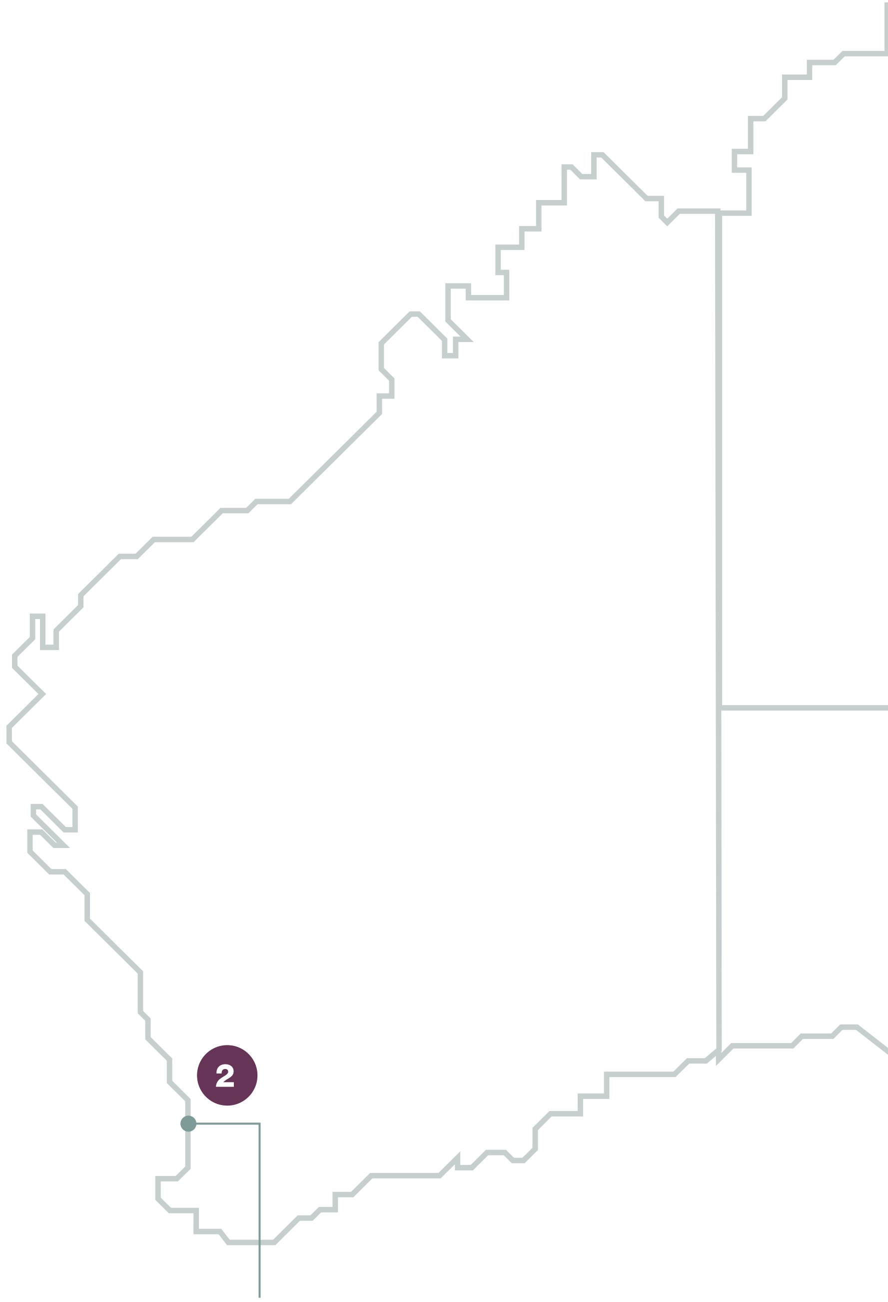


- Office
- Logistics / Distribution
- Manufacturing
- Retail
- Car parking
- Other

Acquisition method (%)
since inception, as at 30 June 2018

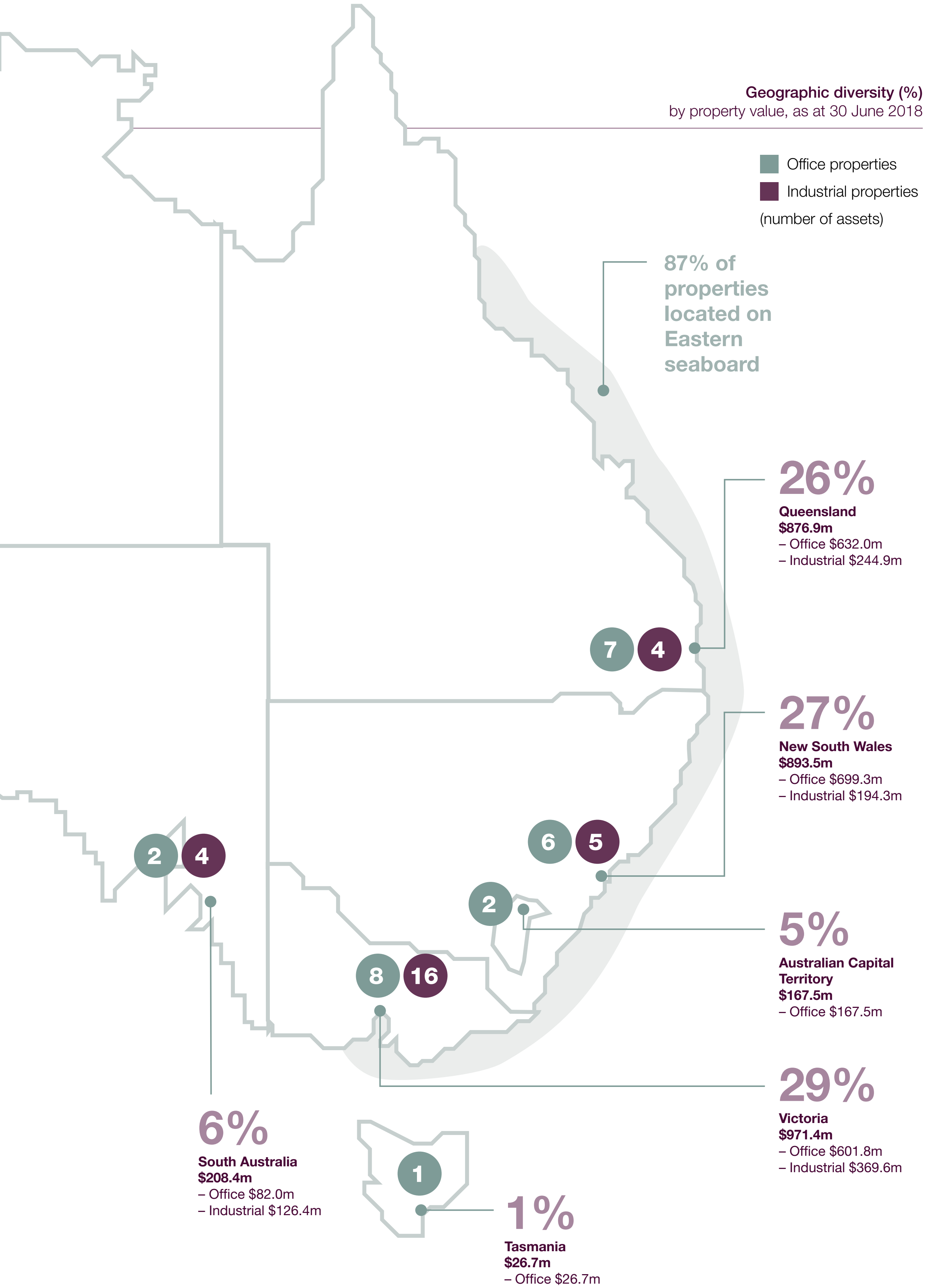


- Direct (on-market)
- M&A
- Development fund through
- Direct (off-market)



6%
Western Australia
$211.7m
– Industrial $211.7m

Geographic diversity (%)
by property value, as at 30 June 2018

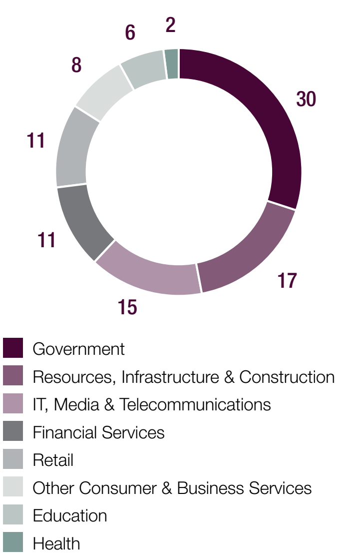


Office Portfolio Review

Office portfolio key statistics
(as at 30 June 2018)

— **$2,209.3 million** total value
— **286,430 sqm** total lettable area
— **6.0%** weighted average capitalisation rate
— **66%** of total property portfolio
— **98%** occupancy
— **5.5 year** WALE
— **3.5%** WARR
— **26** assets

Tenants by Industry (%)
by income, as at 30 June 2018



Summary

Growthpoint's office portfolio achieved valuation like-for-like growth of $132.4 million (6.4%) over FY18, additional leasing of 17,092 sqm and maintained occupancy at 98%.

The main drivers for office demand remained positive in FY18, with solid employment growth and business confidence and conditions tracking above long run averages. Most major office markets recorded positive net absorption over the period, leading to downward pressure on incentives and rent growth in most Eastern seaboard office markets.

Acquisitions

After a significant transactional year in FY17, there were no direct office transactions made in the year to 30 June 2018.

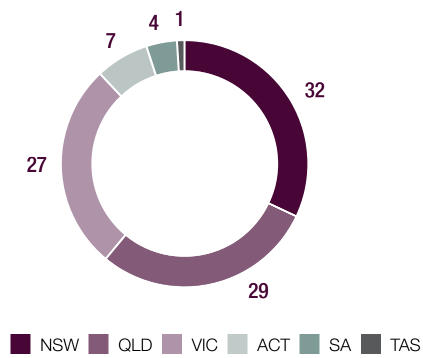
Post-balance date on 18 July 2018 Growthpoint entered into transaction documents for the acquisition of 836 Wellington Street, West Perth for $91.3 million reflecting a market yield of 6.25%. The property is 100% leased to the Commonwealth of Australia (Department of Home Affairs) with a remaining lease term of 8.3 years[1] and annual fixed rent reviews of 3.75%. Built in 2009, the property is a modern A-Grade office building consisting of 11,973 sqm over 6 floors with 138 secured car bays. The building has strong environmental credentials with a 5.5 Star NABERS Energy rating and a 4 Star NABERS Water rating.

Leasing

FY18 was another successful period of leasing for Growthpoint with 6.0% of total office portfolio lettable area leased over the year. Highlights include:

- Renewal of lease to Westpac Banking Corporation at 7 Laffer Drive, Bedford Park, South Australia for a further 7 years. The lease renewal to Westpac begins in July 2018 and comprises 6,343 sqm with fixed rent increases of 3.00% per annum.

Geographic diversity (%)
by property value, as at 30 June 2018



Top ten office tenants
by passing rent, as at 30 June 2018

	%	WALE (yrs)
NSW Police	13	5.9
Commonwealth of Australia	8	7.8
Country Road Group	6	13.9
Samsung Electronics	4	3.7
Lion	4	5.8
ANZ Banking Group	4	1.7
Jacobs Group	4	7.0
Queensland Urban Utilities	3	4.8
Fox Sports	3	4.5
Monash University	3	2.5
Total / weighted Average	**52**	**6.4**
Balance of portfolio	48	4.4
Total portfolio	**100**	**5.5**

1. From October 2018.

Property team

Andrew Kirsch
Asset Manager

Cathy Ciurlino
Asset Manager

Nathan Lansell
Manager – Analytics & Valuations

333 Ann Street, Brisbane, QLD

Office Portfolio Review continued

Leasing (continued)

- Further leasing success at 333 Ann Street, Brisbane, Queensland brings total occupancy to 95%, from 44% at 30 June 2015. LGIA Super signed a new 10 year lease comprising 867 sqm in addition to extending their existing lease of 1,734 sqm by over 3 years.
- A new lease at 109 Burwood Road, Hawthorn, Victoria to Flow Power who committed to 1,193 sqm for 5 years from March 2018. The lease to Flow Power provides for fixed rent increases of 3.75% per annum.

Growthpoint's major tenants in Buildings 1 and 2 within the Botanicca Corporate Park in Richmond, Country Road/David Jones, have commenced moving into their new national headquarters. Building 1's fitout is complete and being occupied by 700 employees, while fitout works have commenced on Building 2 with completion expected in September 2018.

Valuation

Continued investor appetite for office assets along Australia's Eastern seaboard and improving market rent fundamentals resulted in valuation increases across Growthpoint's office portfolio. Since 30 June 2017, the value of the office property portfolio (excluding acquisitions and disposals) increased by $132.4 million or 6.4% on a like-for-like basis. The weighted average capitalisation rate across the office portfolio tightened from 6.3% to 6.0%.

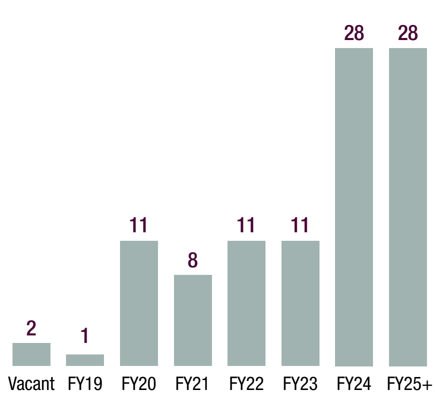
Valuation highlights include:

- 109 Burwood Rd, Hawthorn, Victoria ($16.8 million or 18.8% increase);
- Building 2, 572-576 Swan St, Richmond, Victoria ($9.7 million or 12.0% increase); and
- 7 Laffer Dr, Bedford Park, South Australia ($4.5 million or 29.0% increase).

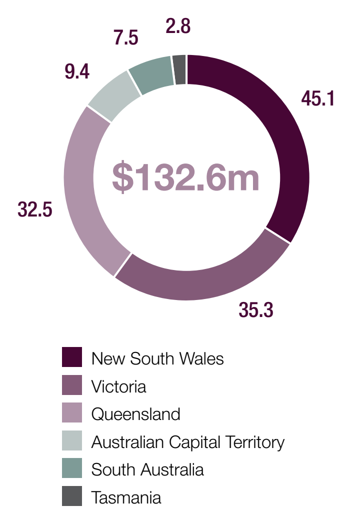
Five year performance summary - office portfolio

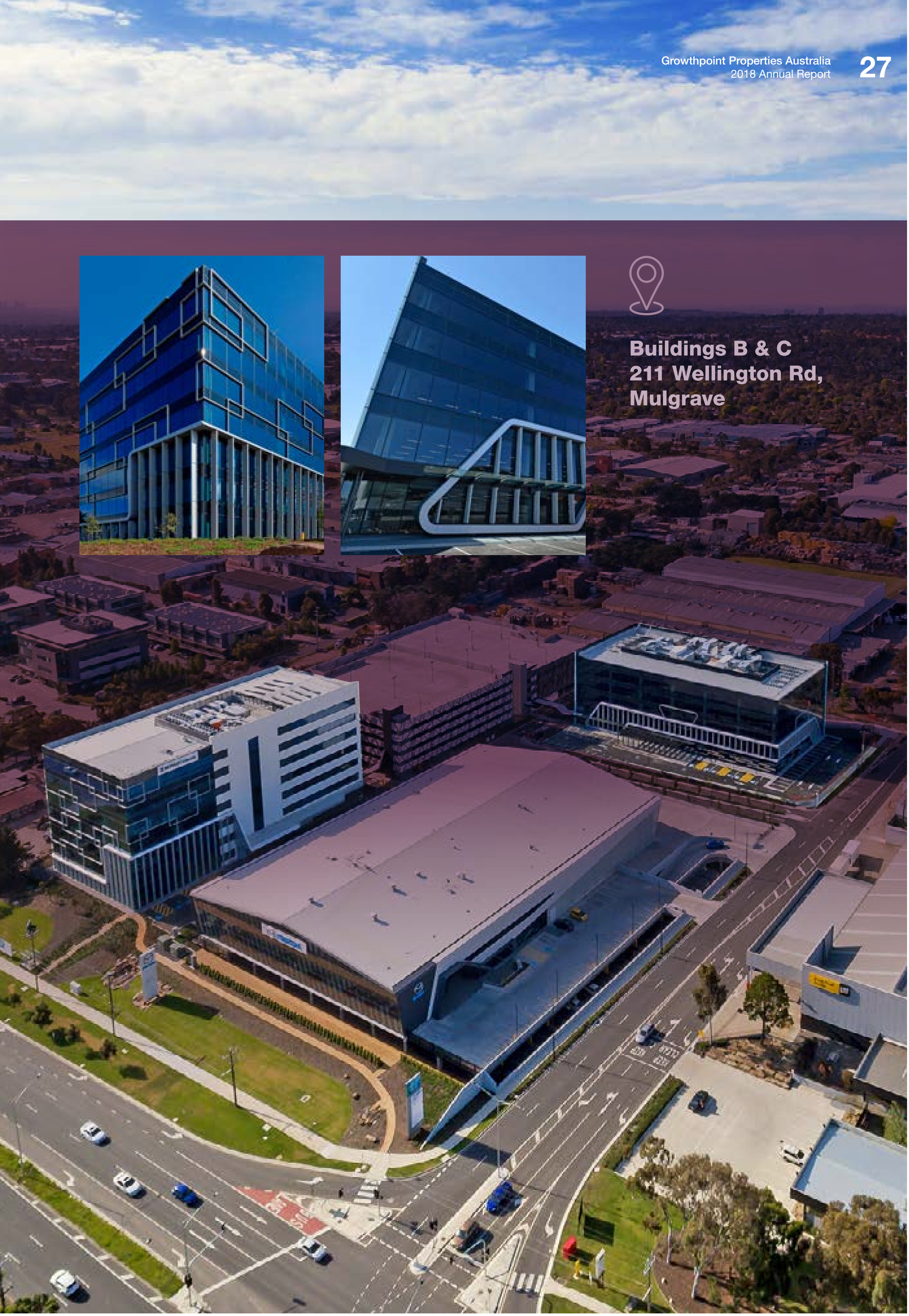
As at 30 June		**2018**	2017	2016	2015	2014
Portfolio value	*$m*	**2,209.3**	2,180.4	1,596.2	1,206.6	1,049.8
Total properties	*no.*	**26**	26	20	17	16
Weighted average cap rate	*%*	**6.0**	6.3	6.8	7.3	7.8
% of Growthpoint portfolio	*%*	**66**	66	56	51	50
Occupancy	*%*	**98**	98	98	94	97
WALE	*years*	**5.5**	6.5	7.8	6.8	6.5
Total lettable area	*sqm*	**286,430**	299,955	235,389	191,953	179,175
Average rent *(per sqm, per annum)*	*$*	**547**	540	533	538	516
NPI	*$m*	**132.6**	136.8	87.8	87.1	65.8
WARR	*%*	**3.5**	3.5	3.4	3.2	3.5

Portfolio lease expiry profile (%)
per financial year, by income



NPI per State / Territory ($m)
for the year ended 30 June 2018





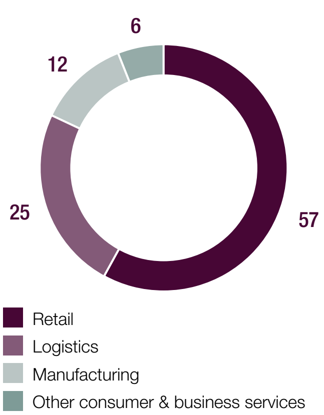
Buildings B & C 211 Wellington Rd, Mulgrave

Industrial Portfolio Review

Industrial portfolio key statistics
(as at 30 June 2018)

- **$1,146.8 million** total value
- **717,014 sqm** total lettable area
- **6.6%** weighted average capitalisation rate
- **34%** of total property portfolio
- **99%** occupancy
- **4.9 year** WALE
- **2.8%** WARR
- **31** assets

Tenants by Industry (%)
by income, as at 30 June 2018



Summary

FY18 was a busy year for Growthpoint's industrial portfolio, with a number of significant transactions and leasing activity contributing to a solid underlying performance. Industrial remains a highly sought-after segment of the property market, both from the perspective of tenancy with new online e-commerce business entering the market, and from domestic and offshore investors with an appetite for well-located assets. This high level of interest was reflected in another strong period of like-for-like valuation growth of $61.4 million, or 5.9%, excellent leasing outcomes to high quality tenants (over 115,340 sqm leased) and occupancy high at 99%.

The main drivers of industrial demand remain largely positive, with solid export levels, strong population growth and continued growth in e-commerce retail. Plans for major infrastructure investment by State and Federal governments with a focus on transport infrastructure, particularly in New South Wales and Victoria is also expected to be a long-term driver of demand.

Acquisitions and Divestments

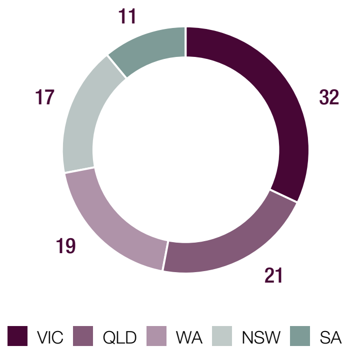
Growthpoint was involved in two major industrial transactions over FY18, both of which generated positive outcomes for the Group:

Sale of 522-550 Wellington Road, Mulgrave, Victoria

In November 2017, Growthpoint announced it had entered into contracts for the sale of 522-550 Wellington Road, Mulgrave, Victoria for $90.75 million, representing a 37.7% premium to the 30 June 2017 book valuation of $65.9 million. The income yield on the sale price was a record 5.2% per annum for a Woolworths distribution centre. The sale of Mulgrave was a particularly favourable outcome for Growthpoint's Securityholders and an endorsement of the Group's highly desirable property portfolio.

The sale was consistent with management's stated intention which was to seek to realise material upside in the sale of assets with future development potential to a higher and better use.

Geographic diversity (%)
by property value, as at 30 June 2018



Top ten industrial tenants
by passing rent, as at 30 June 2018

	%	WALE (yrs)
Woolworths	44	4.5
Linfox	11	4.9
Australian Postal Corporation	5	6.0
Laminex Group	3	4.0
Brown & Watson International	3	7.1
Paper Australia	2	1.2
Reward Supply Co.	2	1.2
The Workwear Group	2	9.0
Autocare Services	2	12.3
Symbion	2	10.5
Total / weighted Average	**76**	**5.0**
Balance of portfolio	24	4.8
Total portfolio	**100**	**4.9**

Property team

Andrew Fitt
Senior Asset Manager

Julian Smith
Asset Manager

Jeanette Otto
Analyst

10 Hugh Edwards Drive, Perth Airport, WA

Industrial Portfolio Review continued

Acquisitions and Divestments (continued)

Acquisition of $46 million industrial portfolio at Perth Airport

In July 2017, Growthpoint announced it had exchanged contracts for the acquisition of four adjoining, modern industrial warehouses at 36 and 58 Tarlton Crescent and 2 and 10 Hugh Edwards Drive, Perth Airport, Western Australia for $46 million, providing an initial passing yield of 8.13%.

The properties are leased to high quality tenants, with an attractive WALE and were at a compelling yield relative to yields for recent comparable transactions on Australia's Eastern seaboard. The assets are located near the Group's sole existing property in Western Australia, being a Woolworths distribution centre at Perth Airport.

Leasing

Several significant leasing transactions were achieved in FY18, the highlights of which were:

- In March 2018, the Group finalised a 5 year lease renewal to Australian Postal Corporation at 40 Annandale Road, Melbourne Airport, Victoria. The lease covers a lettable area of 44,424 sqm with 86 car spaces and annual rent increases of 3.75%
- On 1 August 2017, the Group leased 101-111 South Centre Road, Melbourne Airport, Victoria to Direct Couriers. The 14,082 sqm office/warehouse was leased for 10.2 years with annual rent increases to the greater of CPI and 3.5%

Valuation

The value of the industrial property portfolio increased by $61.4 million or 5.9% over FY18 on a like-for-like basis.

The weighted average capitalisation rate across Growthpoint's industrial property portfolio is 6.6% at 30 June 2018 down from 6.9% at 30 June 2017.

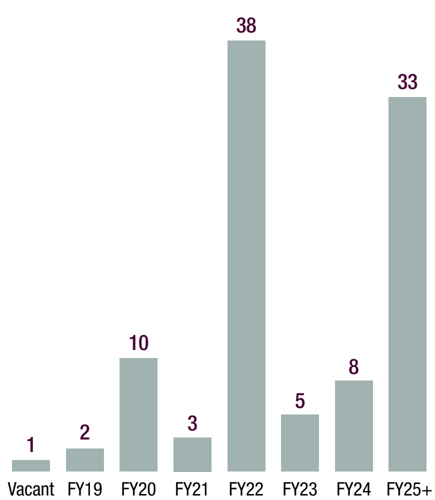
Valuation highlights include:

- 70 Distribution Street, Larapinta, Queensland ($15.0 million or 7.3% increase);
- 20 Colquhoun Road, Perth Airport, Western Australia ($11.0 million or 7.2% increase);
- 599 Main North Road, Gepps Cross, South Australia ($5.6 million or 7.6% increase); and
- 27-49 Lenore Drive, Erskine Park, New South Wales ($5.3 million or 8.3% increase).

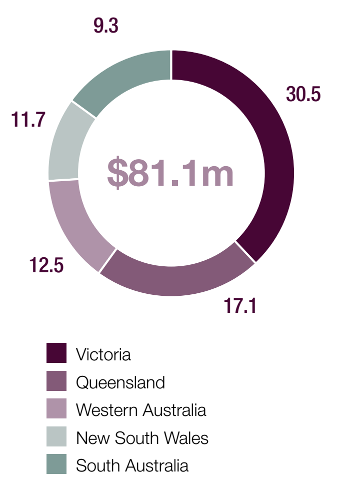
Five year performance summary - industrial portfolio

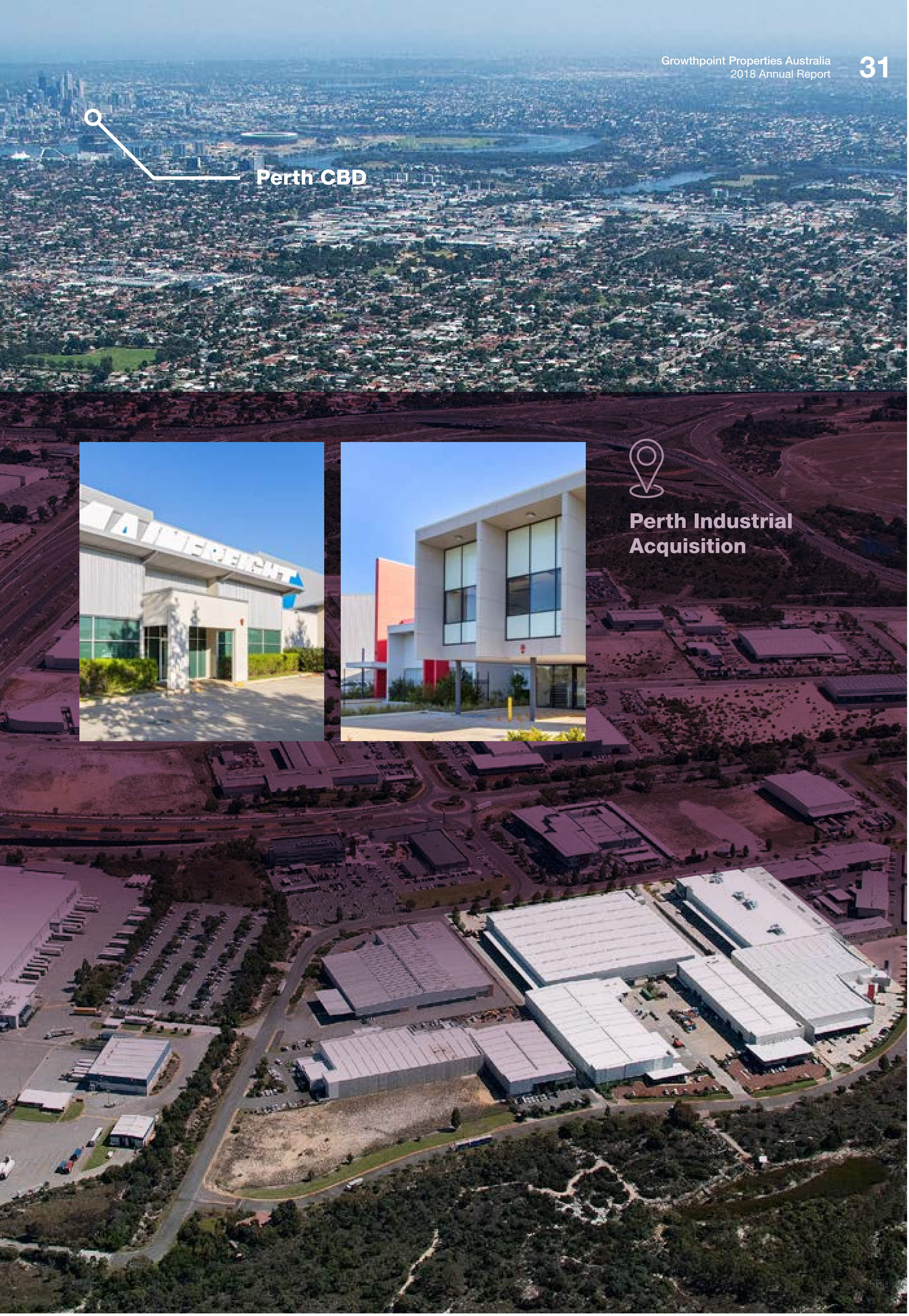
As at 30 June		2018	2017	2016	2015	2014
Portfolio value	*$m*	**1,146.8**	1,103.4	1,236.3	1,165.9	1,043.9
Total properties	*no.*	**31**	32	38	36	35
Weighted average cap rate	*%*	**6.6**	6.9	7.1	7.3	8.0
% of Growthpoint portfolio	*%*	**34**	34	44	49	50
Occupancy	*%*	**99**	100	100	100	99
WALE	*years*	**4.9**	5.2	5.9	6.5	7.3
Total lettable area	*sqm*	**717,014**	756,381	874,156	858,658	857,565
Average rent *(per sqm, per annum)*	*$*	**116**	110	109	104	99
NPI	*$m*	**81.1**	86.5	93.4	84.7	82.9
WARR	*%*	**2.8**	2.8	2.7	2.7	2.9

Portfolio lease expiry profile (%)
per financial year, by income

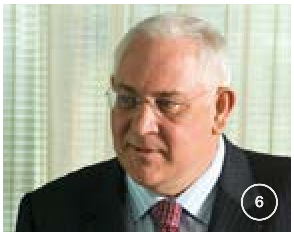


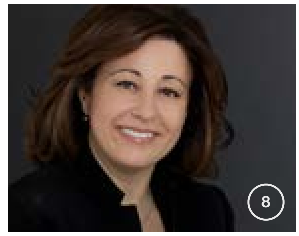
NPI per State / Territory ($m)
for the year ended 30 June 2018




Perth CBD
Perth Industrial Acquisition

Board of Directors





1. Geoffrey Tomlinson (70)

BEC

Independent Chairman (since 1 July 2014) and Director (since 1 September 2013)

Over 45 years' experience in the financial services industry.

Committees: Audit, Risk & Compliance and Nomination, Remuneration & HR

Current Australian directorships of listed public companies[1]: IRESS Limited

2. Timothy Collyer (50)

B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD

Managing Director (since 12 July 2010)

Over 29 years' experience in A-REITs and unlisted property funds, property investment, development and valuations.

Current Australian directorships of listed public companies[1]: Nil

3. Maxine Brenner (56)

BA, LLB

Independent Director (since 19 March 2012)

Maxine has over 27 years' experience in corporate advisory, mergers and acquisition, financial and legal advisory work.

Committees: Audit, Risk & Compliance (Chair)

Current Australian directorships of listed public companies[1]: Orica Limited, Origin Energy Limited and Qantas Airways Limited

4. Estienne de Klerk (49)

BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA (SA)

Director[2] (since 5 August 2009)

Over 21 years' experience in banking and property finance and over 15 years' in the listed property market.

Committees: Audit, Risk & Compliance

Current Australian directorships of listed public companies: Nil

5. Grant Jackson (52)

Assoc. Dip. Valuations, FAPI

Independent Director (since 5 August 2009)

Over 32 years' experience in the property industry, including 28 years as a qualified valuer.

Committees: Audit, Risk & Compliance

Current Australian directorships of listed public companies[1]: Nil

6. Francois Marais (63)

BCom, LLB, H Dip (Company Law)

Director[3] (since 5 August 2009)

Over 27 years' experience in the listed property market.

Committees: Nomination, Remuneration & HR

Current Australian directorships of listed public companies: Nil

7. Norbert Sasse (53)

BCom (Hons) (Acc), CA (SA)

Director[4] (since 5 August 2009)

Over 22 years' experience in corporate finance and over 15 years' experience in the listed property market.

Committees: Nomination, Remuneration & HR (Chair)

Current Australian directorships of listed public companies: Nil

8. Josephine Sukkar AM (54)

BSc (Hons), Grad Dip Ed

Independent Director (since 1 October 2017)

Over 28 years' experience in the construction industry.

Committees: Nomination, Remuneration & HR

Current Australian directorships of listed public companies: Nil

1. In addition to Group entities.
2. Not deemed independent as South African CEO of Growthpoint Properties Limited (GRT).
3. Not deemed independent as Chairman of GRT.
4. Not deemed independent as Group CEO of GRT.

Independent Directors

Board diversity

Board expertise matrix (no.)

Full bios on all Directors can be found online at ***www.growthpoint.com.au/about/board/***

A4, 52 Merivale Street, South Brisbane, QLD

Executive Management

1 Timothy Collyer
B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD

Managing Director (since 12 July 2010)

Over 29 years' experience in A-REITs and unlisted property funds, property investment, development and valuations.

2 Michael Green
B.Bus (Prop)

Chief Investment Officer

Over 16 years' experience in listed and unlisted property fund management, property investment and development.

3 Dion Andrews
B.Bus, FCCA, MAICD

Chief Financial Officer, Company Secretary (since 8 May 2014)

Over 17 years' experience in accounting roles in a corporate capacity.

4 Yien Hong[1]
LLB (Hons), B.Comm, B.Arts, MAICD

General Counsel & Company Secretary (since 13 April 2018)

Over 20 years' experience across debt finance, property, funds, M&A, structured finance, derivatives and project finance as well as risk management and governance.

Full bios on all Executive Management can be found online at *growthpoint.com.au/about/executive-management/*

1. Yien Hong has been appointed Company Secretary and General Counsel on a 12-month contract while Aaron Hockly is on parental leave. He is expected to return on 13 April 2019.

Building C, 219-247 Pacific Highway, Artarmon, NSW

Building C, 211 Wellington Road, Mulgrave, VIC

Remuneration report

Letter from the Chair of the Nomination, Remuneration and HR Committee

Dear Securityholders,

On behalf of the Board of Growthpoint Properties Australia, I am pleased to present our FY18 Remuneration Report. Our remuneration structures have been designed to align compensation for Key Management Personnel (KMP) with both financial and non-financial outcomes of the Group as they relate to strategy and performance. This framework has been established with the intention of generating the best long-term outcomes for Growthpoint's Securityholders, its employees and the community. The primary objective of the Group remains to provide investors with a growing income stream and long-term capital appreciation. Remuneration of KMP at Growthpoint is therefore tied closely to the success in achieving these objectives in a sustainable way.

Pleasingly, the FY18 remuneration report reflects another year of strong growth in Securityholder returns. Declared distributions over FY18 amounted to 22.2 cents per security, representing 3.3% growth on FY17. This, coupled with strong share price growth over the year delivered Securityholders with Total Securityholder Return (TSR) of 22.3%[1] to 30 June 2018, exceeding the ASX A-REIT 300 Accumulation Index return of 13.2%[1]. This continues a long period of outperformance on this metric for the Group, as can be seen from the graph at right.

Funds From Operations (FFO) over the year was also strong at 25.0 cents per security following upgrades to guidance in October 2017. While FFO per security reduced by 2.0% versus FY17, this largely related to a "spike" in the prior year due to the timing of the takeover of the GPT Metro Office Property Fund. The Board recognises the Group's ability to continue growing distributions for Securityholders relies predominantly on its ability to continue growing earnings, and growth in these financial outcomes will continue to be linked as they have been over the long-term. The table below provides medium to long-term growth rates for FFO and distributions per security.

The Board is also pleased to report strong sustainability outcomes over the year. Our GRESB score for 2017 increased by 18.5% over the 2016 achievement. The Group also delivered an above-average CDP score of B. More information on the Group's performance on sustainability can be found in the FY18 Sustainability Report.

What's changed

There was little change in the remuneration framework between FY17 and FY18, with only the performance criteria of the non-financial component of the KMP Short-Term Incentive (STI) changing. The reasons for this change are discussed in the section on STI on page 40.

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While feedback on Growthpoint's remuneration framework continues to be positive, to ensure the Group is maintaining pace with best practice across the sector, PwC were asked as part of their annual engagement to review the existing executive remuneration framework and provide alternative remuneration frameworks for consideration by the Nomination, Remuneration and HR Committee (the Committee) for FY19 and beyond. This analysis included a high-level overview of business metrics used by competitors as well as the broader market.

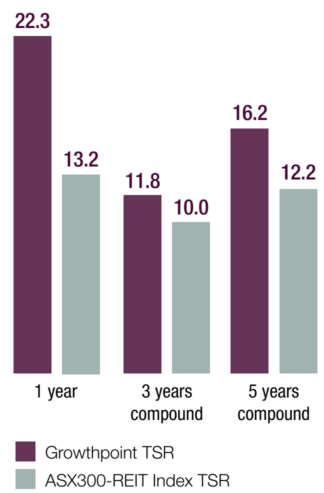
The Committee has recommended to implement three key changes having regard to the PwC analysis for the Group's FY19 remuneration structure.

Compound annual growth rates (CAGR)

	FY13	FY16	FY18	2 year CAGR	5 year CAGR
FFO per security (cents)	19.4	22.9	25.0	4.5%	5.2%
Distribution per security (cents)	18.3	20.5	22.2	4.1%	3.9%
NTA per security (cents)	200.0	261.0	320.0	10.7%	9.9%

1. Source: UBS Investment Research: Annual compound returns to 30 June 2018.

Strong growth in Securityholder returns (%)[1]



These are:

- Change the backward-looking LTI structure to a forward-looking structure to align more closely with market practice;
- Introduce deferral for part of the STI awarded to KMP, with two thirds paid as cash and one third paid in Performance Rights which vest over two years; and
- Introduce a Minimum Securityholding Requirement (MSR) whereby Non-Executive Directors are required to hold 100% of their base fees, the Managing Director 100% of Total Fixed Remuneration (TFR) and other KMP 50% of their TFR in Growthpoint securities.

The Committee believes these changes will further align compensation of KMP with the interests of Securityholders. More details on each of these changes are included in the relevant sections of this Remuneration Report.

The Committee and the Board remain committed to implementing remuneration policies that incentivise management to carry out the strategy of the Group in the best long-term interests of Securityholders.

Norbert Sasse
Chair - Nomination, Remuneration and HR Committee

Remuneration report

What's inside

About the Remuneration Report

The Directors present this "**Remuneration Report**" for the Group for the year ended 30 June 2018. This report summarises key compensation policies and provides detailed information on the compensation for Directors and other KMP.

The specific remuneration arrangements described in the report apply to the Managing Director and the KMP as defined in AASB 124 and to the Company Secretaries as defined in section 300A of the *Corporations Act 2001* (Cth).

Growthpoint's remuneration practices substantially comply with best practice governance guidelines, as per ASX corporate governance principles and recommendations, as outlined on page 43 of the 2018 Sustainability report.

Executive and employee remuneration for FY18

There are currently 24 Employees ("**Employees**") of the Group, including the Managing Director and 3 other Key Management Personnel ("**KMP**").

Remuneration paid and payable

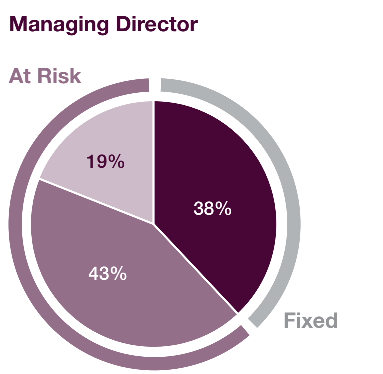
The total remuneration paid or payable to the Employees who are KMP for FY18 is listed on page 39 of this report and the proposed remuneration parameters for FY19 are on page 47.

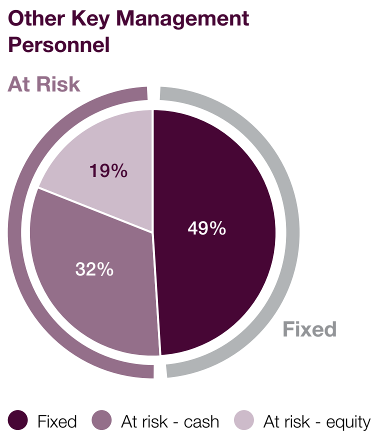
Principles of remuneration for Employees

The principles of remuneration for Employees are:

1. Employees should receive total remuneration which is competitive with rates for similar roles with listed and unlisted Australian entities having regard to each person's skills and experience, value to the Group and workload of the particular role and the industry in which the Group operates.
2. The total remuneration for Employees should be set at a level to attract and retain suitably qualified and experienced persons in each respective role and tailored to encourage overall performance of the Group which is in the best interests of all Securityholders.
3. The components of remuneration for each Employee are:
   a. total fixed remuneration (including applicable superannuation);
   b. if specified performance criteria are met, eligibility to receive a short-term incentive ("STI") bonus payable in cash in respect of each financial year as determined by the Managing Director and/or the Committee up to a maximum amount set by the Board. Refer to the table on page 41 for measures for the FY18 STI and the FY17 STI;
   c. long-term incentive ("LTI") plan under which, upon meeting specified criteria, each Employee is eligible to receive securities in the Group that vest over time to help ensure alignment of each Employee's interests with those of Securityholders;
   d. life, TPD and income protection insurance cover payable to the Employee; and
   e. annual, personal, long-service and other leave to the extent required by law or under any Group policy.

Executive remuneration FY18 (%)





4. Employees are not eligible for any additional fees for additional roles within the Group such as acting as an officer of the Company or being a responsible manager under the Company's AFSL.
5. Employees who are not KMP are not currently required to hold any securities in the Group but are encouraged to do so. At the date of this Report, most Employees hold securities in the Group. From 1 July 2018, the Committee implemented a Minimum Securityholding Requirement (MSR) for KMP (refer to page 89 for details of KMP's current holdings and details of the MSR). 89
6. Employees are entitled to receive certain payments including the vesting of all unvested securities under the LTI if the Company decides to terminate a position without cause including through redundancy.

Total KMP remuneration FY18 and FY17

		Short-term			Post employment			Share based payments		S300A (1) (e) (i) proportion of remuneration performance related
	Period	Salary and fees	Cash bonus[1]	Non-monetary benefits	Super-annuation benefits	Other long-term[3]	Termination benefits	Options and rights	Total	
		$	$	$	$	$	$	$	$	%
Timothy Collyer (Managing Director)	**FY18**	**909,189**	**1,035,893**	**1,431**	**25,000**	**–**	**–**	**464,706**	**2,436,219**	**62%**
	FY17	868,275	696,983	1,378	30,000	–	–	543,951	2,140,587	58%
Aaron Hockly[2] (Chief Operating Officer)	**FY18**	**345,258**	**242,294**	**–**	**25,000**	**9,368**	**–**	**150,020**	**771,940**	**51%**
	FY17	320,175	162,356	–	30,000	–	–	161,984	674,515	48%
Dion Andrews (Chief Financial Officer)	**FY18**	**347,930**	**242,294**	**–**	**25,000**	**–**	**–**	**148,590**	**763,814**	**51%**
	FY17	320,175	157,436	–	30,000	–	–	158,601	666,212	47%
Michael Green (Chief Investment Officer)	**FY18**	**353,334**	**245,805**	**–**	**25,000**	**–**	**–**	**150,232**	**774,371**	**51%**
	FY17	325,250	157,436	–	30,000	–	–	159,781	672,467	47%
Total	**FY18**	**1,965,079**	**1,766,286**	**1,431**	**100,000**	**–**	**–**	**913,548**	**4,746,344**	**56%**
	FY17	1,833,875	1,174,211	1,378	120,000	–	–	1,024,317	4,153,780	53%

1. Refers to when cash bonus was paid although it relates to the previous financial year.
2. Aaron Hockly's FY18 salary was paid until the start of his parental leave on 14 April 2018. He was paid an additional 12 weeks salary under the Group's paid parental leave policy at that time. He is expected to return on 13 April 2019. In his absence, Yien Hong has been appointed Company Secretary and General Counsel on a 12-month contract.
3. Refers to long service leave taken.

Remuneration report continued

Short-Term Incentives ("STI")

In advance of each financial year the Committee, in consultation with the Managing Director, and with assistance from remuneration consultants, establish performance targets and reward levels for STIs in respect of the year ahead. STI assessment is divided into two categories for:

1. Executive Management Team (EMT). The EMT comprises the Managing Director and other KMP
2. Employees

A performance review is undertaken near the end of each financial year to determine if any STI should be payable to an employee, respectively, including the Managing Director, based on performance targets set at the start of the financial year. Any award of STI to the Managing Director requires Board approval. STI payments are made in August following the financial year in which they were earnt.

> **Key change in FY19**
>
> From FY19 onwards, the EMT STI will change, from 100% payment in cash to 66.6% payment in cash, with the remainder deferred and awarded as rights in Growthpoint securities. Half of these rights will vest after one year and half after two years following the date of issue. If the EMT member resigns before a vesting period ends, the relevant rights do not vest and are forfeited. The rights will receive distributions paid by the Group equivalent to the distribution that would have been received if holding a security. Such payment is to be made in cash on the same date such distribution is payable. No STI deferral applies to other employees.
>
> This change has been made to further align EMT and Securityholder interests.

1. EMT STI Criteria

The STI is divided into two criteria, namely;

a) Financial criteria – 70% of total

The financial criteria is based upon achieving budgeted FFO per security (23.7cps for FY18 providing a 50% score) with the opportunity for outperformance, up to 125% achievement, of criteria via a "stretch target" for FFO per security in excess of budget (up to 24.9 cps which is 5.1% above the budgeted figure). If FFO per security is below budget, the Board has discretion whether to grant achievement under the financial criteria. For FY18 the achievement was 125% for the financial criteria due to achievement of 25.0 cps.

b) Non-financial criteria – 30% of total

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The non-financial criteria are based upon the performance criteria in the table on page 41. The criteria are reviewed and approved by the Committee before the start of the financial year and then reviewed on a half yearly basis, with an overall assessment approved by the Committee following the end of the financial year. The half year review involves the Chairman of the Group and the Managing Director jointly analysing actual performance against the criteria and preparation of a report to the Committee.

> **Key change in FY18**
>
> Changes were made to the non-financial criteria of EMT STI for the FY18 outcome following a review by the Committee. These changes have been made to further align the STI component of KMP remuneration with the goal of growing Securityholder distributions sustainably over time. The new non-financial criteria have been chosen based on their link to the Group's strategy and improved measurability.
>
> 48
> These non-financial performance measures were included as part of PwC's broader review of Growthpoint's remuneration structures. Changes to the FY19 measures are outlined on page 48 of this report.
>
> EMT achieved 95.8% of their maximum possible STI for 2018 against 99.6% achievement in FY17.

2. Employee STI Criteria

Employees, other than the EMT, have their STI determined based upon individual performance reviews, achievement of individual key performance indicators (KPIs) and their personal contribution to the Group's success throughout a financial year. The STI amounts are determined by either the Managing Director or the Committee based on recommendations by the Managing Director.

Performance criteria for STI for FY18

Performance criteria	Weighting of total STI (Segment)	Weighting of total STI (Sum)	FY18 performance measures	Performance criteria weighted out of 100%	Achievement of Performance criteria weighted out of 100%	Achievement of weighting of total STI (Segment)	Achievement of weighting of total STI (Sum)
Financial				*Of 70.0% weighting of STI*			
FFO per security		**70.0%**	1. Budget 23.7cps = 50%, stretch 24.9cps = 125%	100.0%	125.0%		**87.5%**
Non-financial				*Of 30.0% weighting of STI*			
Sustainability of increases in distributions	7.5%	**30%**	1. Growth in distributions, both year on year and in comparison with ASX300-AREIT average (excluding GMG) 2. WARR comparison year on year 3. Acquisitions which enhance or secure income 4. Operating cost at or below budget on a like for like basis	25.0%	24.0%	6.8%	**25.1%**
Reposition and diversify portfolio	6.3%		1. Reposition of existing portfolio towards specified sectors and geographies 2. Asset acquisitions 3. Asset disposals	21.0%	17.0%	5.1%	
Enhance existing assets	9.6%		1. Leasing and renewals 2. Tenant interaction 3. Capex and value enhancement 4. Development and change of use	32.0%	27.0%	6.0%	
Securities liquidity and freefloat	1.2%		1. Inclusion in indices 2. Increase in equity where appropriate 3. Increase in freefloat 4. Increase in liquidity	4.0%	2.5%	0.6%	
Debt capital management	2.4%		1. Maintain gearing within Board range 2. Maintain diversity in sources and tenor of debt 3. Additional debt capital issuance if appropriate 4. Ensure fixed debt is within Board range	8.0%	6.0%	2.1%	
Operate sustainably	3.0%		1. Achievement against stated sustainability objectives 2. GRESB and CDP scores 3. Focus on long-term value over short-term 4. Improve integration of sustainability practices within business operations	10.0%	7.0%	2.3%	
Total non-financial score				**100.0%**	**83.5%**		
Weighting of total STI		**100%**			**Achievement of weighting of total STI**		**112.6%**

Remuneration report continued

The table below relates to FY18 STI, but will be paid in FY19 and so will appear in the 2019 Annual Report remuneration tables.

Short-term incentives payable to EMT in August 2018

		FY18 Max	FY18 actual[1]
		$	$
Timothy Collyer (Managing Director)			
Financial	Increase in FFO per security against budget	805,350	**805,350**
Non-financial	Sustainability of Increases in distributions	69,030	**66,269**
Non-financial	Reposition and diversify portfolio	57,985	**46,940**
Non-financial	Enhance existing assets	88,358	**74,552**
Non-financial	Securities liquidity and freefloat	11,045	**6,903**
Non-financial	Debt capital management	22,090	**16,567**
Non-financial	Operate sustainably	27,612	**19,328**
		1,081,470	**1,035,909**
Aaron Hockly (Chief Operating Officer)[1]			
Financial	Increase in FFO per security against budget	176,955	**176,955**
Non-financial	Sustainability of Increases in distributions	15,168	**14,561**
Non-financial	Reposition and diversify portfolio	12,741	**10,314**
Non-financial	Enhance existing assets	19,415	**16,381**
Non-financial	Securities liquidity and freefloat	2,427	**1,517**
Non-financial	Debt capital management	4,854	**3,640**
Non-financial	Operate sustainably	6,067	**4,247**
		237,627	**227,615**
Dion Andrews (Chief Financial Officer)			
Financial	Increase in FFO per security against budget	225,048	**225,048**
Non-financial	Sustainability of Increases in distributions	19,290	**18,518**
Non-financial	Reposition and diversify portfolio	16,203	**13,117**
Non-financial	Enhance existing assets	24,691	**20,833**
Non-financial	Securities liquidity and freefloat	3,086	**1,929**
Non-financial	Debt capital management	6,173	**4,630**
Non-financial	Operate sustainably	7,716	**5,401**
		302,207	**289,476**
Michael Green (Chief Investment Officer)			
Financial	Increase in FFO per security against budget	228,309	**228,309**
Non-financial	Sustainability of Increases in distributions	19,569	**18,787**
Non-financial	Reposition and diversify portfolio	16,438	**13,307**
Non-financial	Enhance existing assets	25,049	**21,135**
Non-financial	Securities liquidity and freefloat	3,131	**1,957**
Non-financial	Debt capital management	6,262	**4,697**
Non-financial	Operate sustainably	7,828	**5,479**
		306,586	**293,671**

1. Pro rata to 14 April 2018, the date Mr. Hockly went on parental leave.

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Long-Term Incentives ("LTI")

The Group has had an Employee Securities Plan ("the Plan") in place for all Employees and the Managing Director since 2011. The Plan is designed to link Employees' remuneration with the long-term goals and performance of the Group with the aim of consistently increasing total Securityholder return.

All securities issued under the LTI are issued on a zero-cost basis. In other words, the EMT and Employees are issued securities as part of their remuneration without having to pay any amounts for them.

LTI performance measures

The performance measures for the LTI are reviewed in advance of each financial year by the Committee and/or the Board.

The performance measures for the LTIs for FY15, FY16, FY17 and FY18 are[1]:

a) Total Securityholder returns ("TSR") – Weighting 50%

TSR reflects the amount of dividends or distributions paid/payable by the Group plus the change in the trading price of the Group's securities over the financial year. TSR is calculated as a percentage return on the opening trading price of the Group's securities on the first day of the financial year.

TSR is benchmarked relative to the S&P/ASX A-REIT 300 Accumulation Index[2] over a rolling 3-year period. At or below 50% performance, nil rights vest, 50% of rights vest at the 51st percentile, up to 100% at the 75th percentile (pro rata vesting in between).

b) Return on equity ("ROE") – Weighting 50%

ROE reflects the amount of dividends or distributions paid/payable by the Group plus the change in the Group's net tangible assets per security over the financial year. ROE is calculated as a percentage return on the Group's net tangible assets per security as at the first day of the financial year.

ROE is benchmarked relative to the ROEs of constituents of the S&P/ASX A-REIT 300 Index[2] over a rolling 3-year period using the following methodology:

- Below the benchmark return - 0%.
- At the benchmark - 50%.
- 0.1% - 1.9% above the benchmark – 51.25% - 75% in increments of 1.125% for each 0.1% above the benchmark
- 2% or more above the benchmark - 100%.

LTI Maximum

In advance of each financial year, the Board and/or the Committee will establish an LTI pool in respect of the upcoming financial year and determine the maximum incentive which can be achieved by each Employee ("**LTI Maximum**"). Under the terms of his employment contract, the Managing Director's LTI Maximum is 80% of total fixed remuneration ("**TFR**"). The LTI Maximum for other KMP is 70% of TFR. Other Employees currently have an LTI Maximum of 20%-30% of TFR. Refer to the table on page 44 for details of TFR for senior executives for FY17 and FY18 and to page 47 for details of proposed TFR for senior executives for FY19.

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LTI Minimum

There is no minimum grant under the LTI. Accordingly, if minimum performance measures are not achieved, no grant will be made under the LTI.

LTI Achievement

In early October of each year, the Committee assesses the achievement of the performance measures listed above to determine a percentage achieved for the previous financial year ("**LTI Achievement**").

LTI Awards

The LTI Maximum multiplied by the LTI Achievement provides the "**LTI Award**" for each employee for the relevant financial year.

The LTI Award is translated into an equivalent value of the Group's securities through dividing the LTI Award by the volume weighted average price of the securities over the 20 trading days prior to 30 September following the financial year to which the LTI relates. This gives a total number of securities to be issued to each Employee for each subsequent vesting.

25% of the securities to be issued to each Employee based on the LTI Award are issued to each Employee in October or November of each of the following four years. Each such vesting is subject to the Employee remaining employed by Growthpoint at the relevant date subject to certain contractual exceptions such as a redundancy and in the discretion of the Board (e.g. in the case of a "good leaver").

1. Prior to FY15, an additional measure, "Distributable Income", was used. However, this now forms part of the STI and so has been removed from the LTI. Readers can refer to previous annual reports available on the Group's website if they require information in relation to previous LTIs.
2. The benchmark only includes those constituents of the ASX REIT 300 that have a comparable trading history. For example, it they have listed, merged or demerged within three years they are excluded.

Remuneration report continued

As each grant is on the basis of a fixed number of securities rather than a fixed value, Employees are exposed to variations in the Group's security price for securities which are yet to vest (as well as for any securities they already hold).

The LTI is cumulative meaning that Employees can receive up to four issues of securities in a particular year in respect of four prior financial years. Subject to some exceptions, securities immediately vest in the case of a takeover of the Group or an Employee being made redundant.

ASX Listing Rules

In accordance with ASX Listing Rule 10.14, the issue of any stapled securities to the Managing Director is subject to Securityholder approval. It is intended that such approval be obtained at the Group's annual general meeting each year and, if approved, stapled securities be issued shortly after the relevant meeting.

FY18 Achievement

The LTI Maximum for the Managing Director and other KMP for the year ended 30 June 2018 is below. The FY18 LTI Achievement cannot be calculated until the release of the benchmark data for the year ended 30 June 2018 so an estimated fair value at issue date is provided. The estimated LTI Achievement is included in an equity reserve in the year to 30 June 2018, pro-rated over the period to which any securities under the LTI are issued.

LTI maximum for KMP

	FY18			FY17		
	LTI Maximum of TFR	LTI Maximum	LTI Estimate	LTI Maximum of TFR	LTI Maximum	LTI Actual
	%	$	$	%	$	$
Timothy Collyer (Managing Director)	80	736,320	368,160	80	708,000	700,920
Aaron Hockly (Chief Operating Officer)	70	257,198	128,599	70	241,500	239,085
Dion Andrews (Chief Financial Officer)	70	257,198	128,599	70	241,500	239,085
Michael Green (Chief Investment Officer)	70	260,925	130,463	70	245,000	242,550
		1,511,641	**755,821**		**1,436,000**	**1,421,640**
		LTI Estimate	**50%**		**LTI Actual**	**99%**

As there is no minimum LTI Award, if none of the benchmarks were achieved for FY18, the LTI Award would be $0.

Hedging of issues by Employees

Under the Group's "Securities Trading Policy" persons eligible to be granted securities as part of their remuneration are prohibited from entering a transaction if the transaction effectively operates to hedge or limit the economic risk of securities allocated under the incentive plan during the period those securities remain unvested or subject to restrictions under the terms of the plan.

Worked example of LTI (unaudited)

Sam Sample is a manager at Growthpoint with a TFR of $100,000. His TFR has not changed for three years and his LTI Maximum is $30,000 (being 30% of his TFR).

The LTI Achievement for the financial years since his employment commenced were:

1. FY13 – 98.6% of $30,000 = $29,580
2. FY14 – 80.0% of $30,000 = $24,000
3. FY 15 - 78.0% of $30,000 = $23,400

The volume weighted average price for the 20 trading days prior to 30 September 2015 was $3.12.

As a result, Mr Sample would have been eligible to receive 6,168 Growthpoint Properties Australia securities in October 2015 comprising the following LTI Awards:

1. FY13 – 2,370 ($29,580/$3.12/4)
2. FY14 – 1,923 ($24,000/$3.12/4)
3. FY15 – 1,875 ($23,400/$3.12/4)

Details of Performance Rights that vested to KMP in FY18

Plan participants	Plan identification	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during FY18
			$	No.	$	%
Timothy Collyer (Managing Director)	FY17 Plan	23/11/17	175,231	55,104	N/A	25
	FY16 Plan	4/10/17	83,427	26,235	N/A	25
	FY15 Plan	4/10/17	129,540	40,736	N/A	25
	FY14 Plan	4/10/17	128,653	40,457	N/A	25
Aaron Hockly (Chief Operating Officer)	FY17 Plan	4/10/17	59,771	18,796	N/A	25
	FY16 Plan	4/10/17	24,292	7,639	N/A	25
	FY15 Plan	4/10/17	29,813	9,375	N/A	25
	FY14 Plan	4/10/17	29,240	9,195	N/A	25
Dion Andrews (Chief Financial Officer)	FY17 Plan	4/10/17	59,771	18,796	N/A	25
	FY16 Plan	4/10/17	23,557	7,408	N/A	25
	FY15 Plan	4/10/17	28,035	8,816	N/A	25
	FY14 Plan	4/10/17	27,151	8,538	N/A	25
Michael Green (Chief Investment Officer)	FY17 Plan	4/10/17	60,639	19,069	N/A	25
	FY16 Plan	4/10/17	23,557	7,408	N/A	25
	FY15 Plan	4/10/17	28,035	8,816	N/A	25
	FY14 Plan	4/10/17	27,151	8,538	N/A	25
Total			**937,865**	**294,926**		

Number of performance rights held by EMT at 30 June 2018

	FY18			
Names	**1 July 2017**	**Granted**	**Vested**	**30 June 2018**
Timothy Collyer (Managing Director)	200,634	220,416	(162,532)	**258,518**
Aaron Hockly (Chief Operating Officer)	50,862	75,184	(45,005)	**81,041**
Dion Andrews (Chief Financial Officer)	48,394	75,184	(43,558)	**80,020**
Michael Green (Chief Investment Officer)	48,394	76,276	(43,831)	**80,839**

Key change

Following the PwC review of the Group's remuneration structures the Committee decided to move the current LTI structure from a "backward looking" measurement period to a "forward looking" structure. For FY19, instead of measuring the 3-year period from 1 July 16 to 30 June 2019 and determining relative TSR and ROE for that period, the assessment period will instead be 1 July 2018 to 30 June 2021. The same relative TSR and ROE measures will be used with the same hurdle rates. Once the assessment of performance is complete, 100% of performance right will vest (i.e. in three years time).

There will be a transition period between when the current plans cease and the new plans become fully effective (no vesting under the new plan can occur until after the measurement of the first three-year performance period ending 30 June 2021 is complete). The Group will continue to operate "backward looking" LTI plans in the transition period with steadily reducing opportunities under each plan until they are phased out completely with the first vesting under the new structure. The Committee asked PwC to review these transitional arrangements and they found that there is no advantage/disadvantage of the transitioned arrangements to either the Group or the Employees.

The reason for this change is simply to bring the structure of the LTI measurement into line with general market practice.

Remuneration report continued

Non-executive Director Remuneration

There are currently seven Non-Executive Directors. An aggregate pool of $1,200,000 available for the remuneration of Non-Executive Directors was approved by Securityholders at the Company's Annual General Meeting in November 2017.

Remuneration paid and payable

47 The total remuneration paid to Non-Executive Directors for FY18 is listed below and the proposed FY19 remuneration is on page 47.

Principles of remuneration for Non-Executive Directors

The principles of non-executive director remuneration are:

1. Non-Executive Directors should receive total remuneration at market rates for equivalent positions at listed Australian entities of similar size (measured by market capitalisation and gross assets), complexity and Non-Executive Director workload having regard to the industry in which the Group operates.
2. Fees are set at a level to attract and retain suitably qualified and experienced persons to the Board.
3. The Chairman is entitled to a base annual fee and is not eligible for any additional fees for chairing or being a member of any Board committees.
4. All Non-Executive Directors other than the Chair are entitled to a base annual fee plus additional fees for being a Chairman or a member of a committee.
5. All Non-Executive Directors' fees are paid on a base fee basis rather than per meeting.
6. All Non-Executive Directors' fees are to be paid in cash and include superannuation where applicable. Where Australian GST is applicable, this is paid in addition to the relevant director's fees.
7. 89 From 1 July 2019, Non-Executive Directors are required to hold a certain amount of securities in the Group. Refer to page 89 for details of Director holdings at the date of this Report, as well as details on the MSR.
8. Non-Executive Directors are not entitled to any termination or similar payments upon retirement or other departure from office.
9. In addition to remuneration, Non-Executive Directors may claim expenses such as travel and accommodation costs reasonably incurred in fulfilling their duties.
10. With the prior approval of the Chairman, Non-Executive Directors may obtain independent advice at the Company's cost.

Non-executive Director Remuneration

		Short-term		Post employment	
	Period	Fees	Committee Fees	Superannuation benefits	Total
		$	$	$	$
Geoff Tomlinson, Chair (appointed 1 September 2013)	**FY18**	**179,027**	**–**	**17,008**	**196,035**
	FY17	170,502	–	16,198	186,700
Grant Jackson (appointed 5 August 2009)	**FY18**	**91,618**	**10,911**	**9,740**	**112,269**
	FY17	88,950	10,594	9,457	109,001
Francois Marais (appointed 5 August 2009)	**FY18**	**100,322**	**10,609**	**–**	**110,931**
	FY17	97,400	10,300	–	107,700
Norbert Sasse (appointed 5 August 2009)	**FY18**	**100,322**	**15,960**	**–**	**116,282**
	FY17	97,400	15,200	–	112,600
Estienne de Klerk (appointed 5 August 2009)	**FY18**	**100,322**	**11,948**	**–**	**112,270**
	FY17	97,400	11,600	–	109,000
Maxine Brenner (appointed 19 March 2012)	**FY18**	**91,618**	**18,342**	**10,446**	**120,406**
	FY17	88,950	17,808	10,142	116,900
Josephine Sukkar (appointed 1 October 2017)	**FY18**	**68,714**	**7,266**	**7,218**	**83,198**
	FY17	–	–	–	–
Total	**FY18**	**731,944**	**75,037**	**44,412**	**851,393**
	FY17	640,602	65,502	35,796	741,900

FY19 remuneration (unaudited)

To assist readers of this Report to understand how Directors and Employees are remunerated for the year ahead and to understand the performance the board and the Committee are trying to encourage through remuneration, FY19 remuneration has been provided below.

This information is in addition to that required by the *Corporations Act 2001* (Cth) and, as a result, has not been audited. Remuneration listed below is subject to a range of factors including persons remaining employed by the Company in their current role for all of FY19.

FY19 Remuneration (unaudited)

	Total fixed remuneration including superannuation ("TFR")	Short-term Incentive (maximum)	Long-term Incentive (maximum)	Other Benefits	Termination notice (without cause)	Termination Payments (without cause for redundancy or similar by the Company)	Restraint of trade period
Chairman Geoff Tomlinson	$203,876 (4.0% increase from FY 18)	Nil	Nil	Nil Ineligible for additional committee fees	Nil	Nil	Nil
Non-Executive Directors	$104,335 (base fee 4.0% increase from FY 18) plus fees for acting as: – Chair - Audit, Risk & Compliance Committee - $22,094 (10.0% increase) – Member - Audit, Risk & Compliance Committee - $13,143 (10.0% increase) – Chair - Nomination, Remuneration & HR Committee - $18,354 (15.0% increase) – Member - Nomination, Remuneration & HR Committee - $11,670 (10.0% increase)	Nil	Nil	Nil	Nil	Nil	Nil
Managing Director Timothy Collyer	$943,410 (2.5% increase from FY 18)	117.5% of TFR	80% of TFR	– Gym membership – Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover	Six months' notice	Nine months' notice and Redundancy Policy benefits. Unvested LTI grants remain on foot	12 months
Chief Operating Officer Aaron Hockly	$378,448 (3.0% increase from FY 18)[1]	82.3% of TFR	70.0% of TFR	Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover	Six months' notice	Redundancy Policy benefits plus vesting of any granted but unvested options under LTI	6 months
Chief Financial Officer Dion Andrews	$400,000 (8.9% increase from FY 18)	82.3% of TFR	70.0% of TFR	Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover	Six months' notice	Redundancy Policy benefits plus vesting of any granted but unvested options under LTI	6 months
Chief Investment Officer Michael Green	$400,000 (7.3% increase from FY 18)	82.3% of TFR	70.0% of TFR	Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover	Six months' notice	Redundancy Policy benefits plus vesting of any granted but unvested options under LTI	6 months
Other Management Staff	Various	30.0% of TFR	30.0% of TFR	Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover	One month (By either party)	Redundancy Policy benefits plus vesting of any granted but unvested options under LTI	3 months
Other Staff	Various	20.0% of TFR	20.0% of TFR	Payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover	One month (By either party)	Redundancy Policy benefits plus vesting of any granted but unvested options under LTI	0-3 months

1. Increase based on full year FY18 pay.

Remuneration report continued

LTI

The structure of the LTI for FY19 has changed from FY18 to move to a forward-looking plan. There will be a reduced opportunity backward looking LTI plan in place as part of the transition to the new forward-looking plans. This will have the same structure as the FY18 LTI, except the opportunity under the plan will be 50% rather than 100%. Refer to page 48 for details about the LTI for FY18 backward looking plan and, accordingly, the FY19 LTI backward looking plan. The measures for the forward-looking plan and their hurdles are identical to the backward looking plans. For further explanation of this change, see the section "key change" on page 45.

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The figures included in the table on page 47 are the maximum available for award under this scheme in respect of FY19.

STI

For the EMT, an STI award may be payable in respect of FY19 based on the following measures:

1) Financial criteria – 70% (subject to a stretch target)

The financial criteria is based upon achieving or outperforming budgeted Funds From Operations ("FFO") per security for the financial year.

2) Non-financial measures – 30% – comprising the matters below

The Committee again reviewed non-financial measures for EMT based on market feedback and the PwC review of remuneration structures. The changes to these criteria were based on simplification (reducing the overall number of measures) and introducing an individual measure to the assessment.

The agreed criteria for FY19 and their weightings are as follows:

Performance Criteria	FY19 performance measures	Reason chosen	Weighting
Execution of Business Strategy	– Delivery of development pipeline of Botanicca, Gepps Cross and Broadmeadows – Undertake strategic acquisition and disposition of property assets to maximise income and capital growth opportunities – Maintain the quality of property portfolio whilst operating within the framework of the Group's gearing range, cost of capital and yields available in the property market	Development and delivery of key strategic initiatives will deliver long-term and sustainable growth	7.5%
Organisational Performance	– Maintain a high employee engagement score – Delivery of IT, compliance and risk management business excellence projects – Retain talented individuals in roles and provide for advancement within the Group	Creating a talented and engaged team and providing them with the right functionality to support Growthpoint will underpin ongoing high performance	7.5%
Environmental, Social and Governance (ESG) Improvement and Initiatives	– Promote and achieve diversity targets – Maintain average high NABERS ratings, undertake budgeted property specific energy reduction projects and develop long-term energy reduction strategy – Maintain investment grade credit rating	ESG goals form the foundation for Growthpoint's guiding principles.	7.5%
Individual Performance of Executive	– Execution of key strategies to achieve annual budget/ guidance and longer-term earnings growth – Role model values, leadership behaviours, collaboration and inclusiveness – Embedding strong governance, risk and compliance culture	Having a focussed Executive Team with clear targets, displaying strong leadership and governance is important to the Group's success.	7.5%

Employees, other than the EMT, have their STI determined based upon individual performance reviews, achievement of individual KPIs and their personal contribution to the Group's success throughout the financial year. The STI amounts are determined by either the Managing Director or the Committee based on recommendations of the Managing Director.

Other information

KMP and Non-Executive Director holdings of Growthpoint securities

Key change

From 1 July 18, the Committee implemented a Minimum Securityholding Requirement (MSR) for KMP and Non-Executive Directors. Those covered must comply with the MSR within four years of the implementation date. The MSR is as follows:

- Non-Executive Directors – 100% of base fees in equivalent value of Growthpoint securities;
- Managing Director – 100% of TFR in equivalent value of Growthpoint securities; and
- Other KMP – 50% of TFR in equivalent value of Growthpoint securities.

The table below provides holdings as at the date of this report and indicates the current percentage holdings.

Name	Holding as at 16 August 2018	MSR	Current equivalent value in Growthpoint securities[1]
	No.	*%*	*%*
Geoff Tomlinson	81,467	100	144
Grant Jackson	170,309	100	589
Francois Marais	150,322	100	520
Norbert Sasse	1,520,087	100	5,260
Estienne de Klerk	1,601,804	100	5,542
Maxine Brenner	7,245	100	25
Josephine Sukkar	–	100	–
Timothy Collyer	953,492	100	365
Aaron Hockly	45,005	50	86
Dion Andrews	85,815	50	155
Michael Green	45,201	50	82

1. Current equivalent value takes the closing price of Growthpoint securities on 30 June 2018 ($3.61), multiplied by the holding and compares this to the relevant FY19 measure (100% of base fees for Non-Executive Directors, for example). This is provided for information only at this time as compliance with the MSR is not required until 30 June 22.

Nomination, Remuneration & HR Committee

The Committee advises the Board on compensation policies and practices generally, and makes specific recommendations on compensation packages and other terms of engagement for non-executive directors, executive directors and other senior executives. The Committee also periodically reviews the compensation arrangements for other Employees.

Committee members

The members of the Committee during the year and at the date of this Report are:

- Norbert Sasse (Chairman) – non-executive director
- Francois Marais – non-executive director
- Geoff Tomlinson – independent, non-executive director
- Josephine Sukkar – independent, non-executive director (appointed 1 October 2017)

Delegated authority

The Committee operates under delegated authority from the Board. The duties of the Committee in relation to remuneration are to:

a) Recommend, for adoption by the Board, a remuneration package for the Chairman of the Board and the other Directors on a not less than annual basis.

b) Recommend, for adoption by the Board, a remuneration package, including bonus incentives and related key performance indicators, for the most senior executive officer of the Group both on appointment and on a not less than annual basis.

c) Review the most senior executive officer's recommendations for the remuneration packages, including bonus incentives and related key performance indicators, of other Group Employees both on appointment and on a not less than annual basis.

Remuneration report continued

d) Review the most senior executive officer's recommendations for any bonus payments which are in excess of that delegated to the most senior executive officer under the Group's "Delegations of Authority Policy". The Committee cannot approve payments which exceed the bonus pool approved by the Board without Board approval.

e) Make recommendations to the Board in relation to the introduction of, and amendments to, any employee share plan established by the Group.

Remuneration objectives

In carrying out its remuneration functions, the Nomination, Remuneration & HR Committee shall have regard to the following objectives:

a) Provide competitive rewards to attract, motivate and retain highly skilled directors and management.

b) Set challenging but achievable objectives for short and long-term incentive plans.

c) Link rewards to the creation of value for Securityholders.

d) Limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

Impact of performance on Securityholders' wealth

In considering the Group's performance and benefits for Securityholders' wealth, the Committee has regard to the financial measures in the table below in respect of the five financial years ended 30 June 2018.

		2018	2017	2016	2015	2014
Profit attributable to the owners of the Group	*$'000*	**357,709**	278,090	219,377	283,004	117,348
Dividends and distributions paid	*$'000*	**148,432**	140,077	118,134	110,685	86,790
Distribution per stapled security	*$*	**0.222**	0.215	0.205	0.197	0.190
Closing stapled security price	*$*	**3.61**	3.14	3.15	3.13	2.45
Change in stapled security price	*$*	**0.470**	-0.010	0.020	0.680	0.050
Total Securityholder return[1]	*%*	**22.3**	6.3	7.4	36.4	10.8
Return on equity	*%*	**18.5**	18.6	13.5	23.9	17.5

1. Source UBS Investment Research.

Independent consultants

During the year, the Committee engaged PwC as an independent consultant. PwC was paid a total of $86,700 for providing these services.

The Committee is satisfied on behalf of the Board that PwC remained free from undue influence from those KMP in respect of whom it was making recommendations. The Committee received the report directly from PwC and reviewed and discussed the report with PwC when it was received. The company did not engage PwC for any other work during FY18.

The Committee also had regard to additional third-party industry remuneration benchmarking surveys.

Remuneration reviews

The Committee reviews the appropriate levels of remuneration for all Directors and Employees based on:

1. Remuneration advice and benchmarking from PwC.
2. Remuneration surveys.
3. Benchmarking against peers.
4. Recommendations from the Managing Director (excluding in relation to his own remuneration).

Executive Director Remuneration and Service Contract

There is currently only one executive director being the Managing Director, Timothy Collyer.

Remuneration paid and payable

44 47 The total remuneration paid or payable to the Managing Director for FY18 is listed on page 44 of this report and the proposed remuneration parameters for FY19 are on page 47.

Service contract

The Managing Director has a contract of employment dated 22 August 2016 with the Group that specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and the Managing Director will, early in each financial year, consult to agree objectives for achievement during that year. Changes to the Managing Directors' remuneration requires full Board approval and, in certain circumstances, Securityholder approval.

The Managing Director can resign by providing six months' written notice. The Group can terminate his employment immediately for serious misconduct, bankruptcy, material breach of his employment agreement, failure to comply with a reasonable and lawful direction by the Board, committing an act which brings the Group into disrepute or conviction of an offence punishable by imprisonment. In addition, the Group can terminate the Managing Director's employment without cause with not less than nine months' severance pay.

On termination as Managing Director, he must resign as a director of any Group entity and he is restrained from a number of activities in competition with or to the detriment of the Group for a period of 12 months from the date of termination.

Principles of remuneration for the Managing Director

The principles of remuneration for the Managing Director are:

1. The Managing Director should receive total remuneration which is competitive with rates for an equivalent position at listed and unlisted Australian entities of similar size (measured by market capitalisation and gross assets), complexity and workload having regard to the industry in which the Group operates and the relative profit and expenses versus the Group's peers.
2. The Managing Director's total remuneration should be set at a level to attract and retain a suitably qualified and experienced person to this role and tailored to encourage Group performance which is in the best interests of all Securityholders.
3. The components of the Managing Director's remuneration are:
   a) total fixed remuneration (including applicable superannuation);
   b) 41 if specified performance criteria are met, eligibility to receive a short-term incentive ("STI") bonus payable in cash (up to and including FY18, and cash and deferred performance rights for FY19 onwards) in respect of each financial year up to a maximum set by the Board. Refer to page 41 for measures for the FY18 STI;
   c) long-term incentive ("LTI") plan under which, upon attainment of specified criteria, the Managing Director is eligible to receive securities in the Group that vest over time to help ensure alignment of the Managing Director's interests with those of Securityholders;
   d) life, TPD and income protection insurance cover payable directly to the Managing Director (in lieu of premium);
   e) five weeks annual leave;
   f) personal, long-service and other leave to the extent required by law or under any Group policy; and
   g) car parking, airline club membership, gym membership and other similar benefits as considered appropriate.
4. The Managing Director is not eligible for any additional fees for chairing or being a member of any Board committee, acting as an officer of the Company or being a responsible manager or key person under the Company's AFSL.
5. 89 The Managing Director has a Minimum Securityholding Requirement. Refer to page 89 for details of his holdings as at the date of this report and details of the MSR.
6. 47 The Managing Director is entitled to receive certain payments including the vesting of all unvested securities under the LTI if the Company decides to terminate his position without cause including through redundancy. Refer to page 47 for more details of redundancy entitlements.

Other service contracts

It is the Group's policy that service contracts are unlimited in term but capable of termination on six months' notice or less and that the Group retains the right to terminate the contract immediately, by making payment equal to a payment in lieu of notice. Employees are also entitled to receive certain statutory entitlements on termination of employment including accrued annual and long service leave, together with any superannuation benefits and, if applicable, redundancy payments in accordance with a redundancy policy approved by the Committee. Service contracts outline the components of compensation paid to each Employee (including all key management persons) but does not prescribe how compensation levels may be modified each year.

Remuneration report continued

Director and Senior Executive Reviews

Director reviews

The performance of the Board and individual Directors is regularly considered by the Chairman who, from time to time, arranges Board meetings to specifically consider the function of the Board, the strategy of the Group and to hear any concerns/feedback from directors. The Chairman typically meets with each individual Director not less than once per year. A relevant Board meeting and individual meetings all occurred in FY18.

The Chair of each Board sub-committee also regularly considers the performance of the committee they chair.

Board composition

The Board currently comprises Directors with extensive experience and expertise in property, finance, law, investment banking, accounting and corporate governance. Refer to the Growthpoint website for full profiles of each Director:

growthpoint.com.au/about/board/

Being a property company, the Board has expressed a particular desire to ensure it comprises directors with extensive Australian commercial property knowledge. The Managing Director, Grant Jackson and Josephine Sukkar have had, and continue to have, extensive careers in Australian commercial property and have held, and continue to hold, senior positions in the property industry. The Board is eager to ensure that where Board members are replaced, the Board's property experience is not diminished.

Succession planning for directors

The Committee has developed plans for the succession and/or temporary replacement of the Chairman and the Managing Director.

Director training

To ensure the Board has sufficient knowledge to discharge its duties, the Company Secretary co-ordinates an annual training program which includes presentations (verbal and written) from the Group's lawyers, auditors and property managers as well as from investment banks, real estate service providers and leading governance and training organisations.

Senior Executive Reviews

The Managing Director's performance is formally considered annually by the Committee and, based on this formal assessment, the Committee makes remuneration recommendations to the Board. In making its assessment, the Committee considers, among other things, the STI performance measures listed on page 41.

The Managing Director reviews the performance of the other senior executives and makes recommendations to the Committee on their remuneration based, in part, on the STI performance measures listed on page 41.

Meetings of Directors (FY18)

	Growthpoint Board		Audit, Risk & Compliance Committee		Nomination, Remuneration & HR Committee	
Board member	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
G. Tomlinson (Chairman)	9	9	4	4	7	7
M. Brenner	9	8	4	3	–	–
T. Collyer (Managing Director)[1,2]	9	9	–	4	–	6
E. de Klerk	9	8	4	4	–	–
G. Jackson	9	8	4	4	–	–
F. Marais	9	9	–	–	7	7
J. Sukkar[3]	8	8	–	1	6	6
N. Sasse	9	9	–	–	7	7

1. As Managing Director, Timothy Collyer, has a standing invitation to all committee meetings, unless its members determine otherwise, but is not a member of the Nomination, Remuneration & HR Committee. Mr Collyer is not present for any part of meetings which consider his remuneration except to answer questions from the Committee.
2. As Managing Director, Timothy Collyer, has a standing invitation to all committee meetings, unless its members determine otherwise, but is not a member of the Audit, Risk & Compliance Committee.
3. Josephine Sukkar was appointed as director and member of the Nomination, Remuneration & HR Committee effective from 1 October 2017.

Additional information

Indemnification and Insurance of Directors, Officers and Auditor

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its directors, Aaron Hockly (Chief Operating Officer), Dion Andrews (Chief Financial Officer) and Michael Green (Head of Property) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Company. The Deeds also require the Company to grant the indemnified person with access to certain Company documents and insure the indemnified persons.

In compliance with the Deeds referred to above, the Company insured its Directors and officers against liability to third parties and for costs incurred in defending any legal proceedings that may be brought against them in their capacity as Directors or officers of the Group. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the entity for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

In addition, Growthpoint SA, the Group's majority Securityholder, has undertaken to those Directors and officers of the Group who are not also Directors of Growthpoint Properties Limited that to the extent D&O insurance is not available due to (1) the insolvency of the Group or (2) limitations on claims arising from Peter David Steingrad & others v BFSL 2007 Limited & Others, HC, Auckland, CIV-2011 – 404 – 611 15 September 2011 and Court of Appeal decision CA 674/2011 (20 December 2012), it will provide the directors and officers the same level of financial recourse had the insurance been available. The undertaking expires on the earlier of a superior court in Australia or New Zealand finally determining that the principles of the aforementioned case should not be followed and Growthpoint Properties Limited ceasing to hold (whether beneficially or otherwise) more than 50% of the shares in Growthpoint Properties Australia Limited.

The Auditor is indemnified by the Group against claims from third parties arising from the provision of audit services except where prohibited by the *Corporations Act 2001* (Cth) or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

Non-Audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services providing during the year by the auditor and are satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit, Risk & Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principals relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2018
	$
Services other than audit and review of financial statements:	
Other regulatory audit services	59,410
Other assurance service and due diligence services	9,000
Audit and review of financial statements	140,966
Total paid to KPMG	209,376

Environmental Regulations

As a Trustee of a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. The Directors are not aware of any significant breaches during the year.

Auditors' Independence Declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 97.

Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in Directors' / Financial Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

836 Wellington Street, West Perth, WA

Financial report

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About the Financial Report

This report covers Growthpoint Properties Australia Limited, Growthpoint Properties Australia Trust and its controlled entities, together being a stapled group. Growthpoint Properties Australia Limited is the Responsible Entity for Growthpoint Properties Australia Trust. The financial report is presented in Australian currency.

Growthpoint Properties Australia Trust and its Responsible Entity, Growthpoint Properties Australia Limited, are both domiciled in Australia. The Responsible Entity's registered office and principal place of business is Level 31, 35 Collins Street, Melbourne, Victoria, 3000, Australia.

A description of the nature of the stapled group's operations and its principal activities is included in the Directors' Report which is not part of the financial report.

The financial report was authorised for issue by the Directors on 16 August 2018. The Directors have the power to amend and reissue the financial report.

References to "the year" or "FY18" in this report refer to the year ended 30 June 2018 unless the context requires otherwise. References to "FY19" and "FY20" relate to the twelve months ending 30 June in the year listed.

References to "balance date" in this report refer to 30 June 2018 unless the context requires otherwise.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018	Notes	2018	2017
		$'000	$'000
Revenue			
Property revenue	2.1	**254,239**	261,463
Distributions from investment in securities		**4,886**	-
Straight line adjustment to property revenue		**5,962**	2,522
Net changes in fair value of investment properties	2.2	**166,958**	118,157
Profit / (loss) on sale of investment properties		**24,419**	(1,123)
Net change in fair value of investment in securities	2.3	**10,368**	-
Net change in fair value of derivatives		**(573)**	16,161
Loss on settlement of derivatives		**-**	(13,779)
Net investment income		**466,259**	383,401
Expenses			
Property expenses	2.1	**(40,614)**	(38,145)
Other expenses from ordinary activities		**(13,362)**	(12,385)
Total expenses		**(53,976)**	(50,530)
Profit from operating activities		**412,283**	332,871
Interest income		**316**	501
Borrowing costs	3.2	**(54,797)**	(55,232)
Net finance costs		**(54,481)**	(54,731)
Profit before income tax		**357,802**	278,140
Income tax expense	4.3	**(93)**	(50)
Profit for the period		**357,709**	278,090
Profit attributable to:			
Owners of the Trust		**358,762**	279,324
Owners of the Company		**(1,053)**	(1,234)
		357,709	278,090
Distribution to Securityholders	3.6	**(148,432)**	(140,077)
Change in net assets attributable to Securityholders / Total Comprehensive Income		**209,277**	138,013
Basic and diluted earnings per stapled security (cents)	3.7	**53.5**	42.7

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2018	Notes	2018	2017
		$'000	$'000
Current assets			
Cash and cash equivalents		**31,463**	31,459
Trade and other assets	2.5	**6,583**	10,891
Assets held for sale	2.4	**64,250**	103,500
Total current assets		**102,296**	145,850
Non-current assets			
Plant & equipment		**930**	1,197
Investment properties	2.2	**3,291,800**	3,180,275
Investment in securities	2.3	**78,497**	-
Derivative financial instruments	3.3	**-**	121
Net deferred tax assets	4.3	**1,046**	929
Total non-current assets		**3,372,273**	3,182,522
Total assets		**3,474,569**	3,328,372
Current liabilities			
Trade and other liabilities	2.6	**37,370**	48,750
Distribution to Securityholders	3.6	**75,643**	72,086
Current tax payable		**67**	235
Total current liabilities		**113,080**	121,071
Non-current liabilities			
Trade and other liabilities	2.6	**69**	-
Interest bearing liabilities	3.1	**1,197,555**	1,299,380
Derivative financial instruments	3.3	**6,892**	6,440
Total non-current liabilities		**1,204,516**	1,305,820
Total liabilities		**1,317,596**	1,426,891
Net assets		**2,156,973**	1,901,481
Securityholders' funds			
Contributed equity	3.5	**1,698,702**	1,653,735
Reserves		**7,616**	6,369
Accumulated profits		**450,655**	241,377
Total Securityholders' funds		**2,156,973**	1,901,481

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 2018	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	**Total**
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 30 June 2017	1,653,735	5,825	537	7	241,377	**1,901,481**
Total comprehensive income for the year						
Profit after tax for the year	-	-	-	-	357,709	**357,709**
Total other comprehensive income	-	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	-	357,709	**357,709**
Transactions with Securityholders in their capacity as Securityholders:						
Contributions of equity, net of transaction costs	44,968	-	-	-	-	**44,968**
Distributions provided or paid	-	-	-	-	(148,432)	**(148,432)**
Share-based payment transactions	-	1,229	-	-	-	**1,229**
Deferred tax expense charged to equity	-	-	18	-	-	**18**
Total transactions with Securityholders	44,968	1,229	18	-	(148,432)	**(102,218)**
Balance at 30 June 2018	1,698,702	7,054	555	7	450,655	**2,156,973**

Total recognised income and expense for the year is attributable to:	
- Trust	**358,762**
- Company	**(1,053)**
Growthpoint Properties Australia	**357,709**

For the year ended 30 June 2017	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 30 June 2016	1,414,012	4,506	522	7	103,365	**1,522,412**
Total comprehensive income for the year						
Profit after tax for the year	-	-	-	-	278,090	**278,090**
Total other comprehensive income	-	-	-	-	-	**-**
Total comprehensive income for the year	-	-	-	-	278,090	**278,090**
Transactions with Securityholders in their capacity as Securityholders:						
Contributions of equity, net of transaction costs	239,723	-	-	-	-	**239,723**
Distributions provided or paid	-	-	-	-	(140,077)	**(140,077)**
Share-based payment transactions	-	1,319	-	-	-	**1,319**
Deferred tax expense charged to equity	-	-	15	-	-	**15**
Total transactions with Securityholders	239,723	1,319	15	-	(140,077)	**100,980**
Balance at 30 June 2017	1,653,735	5,825	537	7	241,377	**1,901,481**

Total recognised income and expense for the year is attributable to:	
- Trust	**279,324**
- Company	**(1,234)**
Growthpoint Properties Australia	**278,090**

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

Consolidated Cash Flow Statement

For the year ended 30 June 2018	Notes	2018	2017
		$'000	*$'000*
Cash flows from operating activities			
Cash receipts from customers		**247,928**	268,716
Cash payments to suppliers		**(52,604)**	(53,125)
Cash generated from operating activities		**195,324**	215,591
Interest paid		**(56,568)**	(53,496)
Taxes paid		**(360)**	(595)
Net cash inflow from operating activities	2.7 (b)	**138,396**	161,500
Cash flows from investing activities			
Interest received		**317**	501
Distributions received from investment in securities		**3,673**	-
Receipts from sale of investment properties		**194,766**	161,574
Payments for investment properties		**(66,943)**	(227,845)
Payments for investment in securities		**(68,129)**	-
Payments for plant & equipment		**(25)**	(1,281)
Net cash inflow / (outflow) from investing activities		**63,659**	(67,051)
Cash flows from financing activities			
Proceeds from external borrowings		**322,547**	903,354
Repayment of external borrowings		**(424,691)**	(981,000)
Proceeds from equity raising		**44,968**	103,864
Equity raising costs		**-**	(6,013)
Payment for settlement of derivatives		**-**	(13,779)
Distributions paid to Securityholders		**(144,875)**	(140,077)
Net cash outflow from financing activities		**(202,051)**	(133,651)
Net inflow in cash and cash equivalents		**4**	(39,202)
Cash and cash equivalents at the beginning of the period		**31,459**	70,661
Cash and cash equivalents at the end of the period	2.7 (a)	**31,463**	31,459

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

Notes to the Financial Statements

Section 1: Basis of preparation

in this section ...

This section shows the basis of reporting for the Group and relevant new accounting standards, amendments and interpretations, whether these are effective in FY18 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

Reporting entity

Growthpoint Properties Australia was formed by the stapling of two entities: Growthpoint Properties Australia Limited ("the Company") and Growthpoint Properties Australia Trust ("the Trust"). In this report, the Trust includes all of its controlled entities. The Company is the Responsible Entity for the Trust. Growthpoint Properties Australia is also referred to as "the Group".

The Group was established for the purpose of facilitating a joint quotation of the Company and the Trust and its controlled entities on the Australian Securities Exchange (ASX Code: GOZ). The constitutions of the Company and the Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and the shareholders of the Company and the unitholders in the Trust are identical. The Company, both in its personal capacity and in its capacity as the Responsible Entity of the Trust, must at all times act in the best interests of the Group. The Group is a for profit entity.

The consolidated financial report includes financial statements for Growthpoint Properties Australia, the stapled consolidated Group, which is domiciled in Australia as at, and for the twelve months ended, 30 June 2018. The Group's registered address is Level 31, 35 Collins Street, Melbourne, Victoria 3000, Australia.

The ultimate parent entity of the Group is Growthpoint Properties Limited.

Working capital deficiency

The Group has unutilised facilities of $320 million and sufficient working capital and cashflows in order to fund all requirements arising from the net current asset deficiency as at 30 June 2018. The deficiency is largely driven by the provision for the 30 June 2018 distribution.

Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The consolidated financial statements comply with International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board on 16 August 2018.

Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the Consolidated Statement of Financial Position:

- derivative financial instruments measured at fair value;
- assets held for sale are measured at fair value;
- investment in securities is measured at fair value;
- investment property is measured at fair value; and
- share-based payment arrangements are measured at fair value.

Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Group's functional currency.

The Group is of a kind referred to in ASIC Corporations (Rounding in Directors' / Financial Reports) Instrument 2016/191 and in accordance with that Instrument, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Notes to the Financial Statements continued

Use of estimates, assumptions and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 2.2 – Investment properties;
- Note 2.3 – Assets held for sale;
- Note 3.3 – Derivative financial instruments; and
- Note 3.8 – Share-based payment arrangements.

Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. When applicable, information regarding the method of determining fair value and about the assumptions made in determining fair value is disclosed in the note specific to that asset or liability.

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations effective for annual periods beginning on or after 1 January 2018 have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 *Financial Instruments*

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The effect of the Standard has been examined and would not have any material impact on the Group once implemented.

IFRS 15 *Revenue from contracts with customers*

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The effect of the Standard has been examined and would not have any material impact on the Group once implemented.

IFRS 16 *Leases*

IFRS 16 removes the classification of leases as either operating leases or finance leases, for the lessee, effectively treating all leases as finance leases.

Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the lease accounting requirements.

There are also changes in accounting over the life of the leases. In particular, companies will now recognise a front-loaded pattern of expense for most leases, even when they pay constant annual rentals.

Lessor accounting remains similar to current practice (i.e. lessors continue to classify leases as finance and operating leases).

IFRS 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted. The effect of the Standard has been examined and would not have any material impact on the Group once implemented.

Section 2: Operating results, assets and liabilities

in this section ...

This section shows the assets used to generate the Group's trading performance and provides information on the office and industrial property segments that make up that performance. It also shows the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 3.

On the following pages there are sections covering investment property, other non-current assets, acquisitions and disposals and other payables.

2.1 Revenue and segment information

Accounting policies

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable as detailed below for each category of revenue. All revenue is stated net of the amount of goods and services tax (GST). Revenue from investment properties is recognised on a straight-line basis over the life of the lease for leases where the revenue under the lease terms is fixed and determinable. For leases where the revenue is determined with reference to market reviews, inflationary measures or other variables, revenue is not straight-lined and is recognised in accordance with the lease terms applicable for the period.

Segment results

Segment results that are reported to the Group's Managing Director (the chief operating decision maker) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly distributions from investment in securities, change in fair value of investment in securities, head office expenses, interest expense and income tax assets and liabilities.

Segmental information

The Group operates wholly within Australia and derives rental income solely from property investments. The Group segments net property income and property revaluations into Office and Industrial segments and those results are shown below:

	Office	Industrial	**Total**
	$'000	*$'000*	*$'000*
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018			
Revenue, excluding straight line lease adjustment	158,030	96,209	**254,239**
Property expenses	(25,471)	(15,143)	**(40,614)**
Net Property Income Segment results	**132,559**	**81,066**	**213,625**
Profit on sale of investment properties	-	24,419	**24,419**
Net changes in fair value of investment properties	76,461	90,497	**166,958**
Segment results	**209,020**	**195,982**	**405,002**
Income not assigned to segments			**20,959**
Expenses not assigned to segments			**(68,159)**
Net profit before income tax			**357,802**

Notes to the Financial Statements continued

2.1 Revenue and segment information (continued)

Segmental information (continued)

	Office	Industrial	Total
	$'000	*$'000*	*$'000*
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2017			
Revenue, excluding straight line lease adjustment	160,396	101,067	**261,463**
Property expenses	(23,583)	(14,562)	**(38,145)**
Net Property Income Segment results	**136,813**	**86,505**	**223,318**
Loss on sale of investment properties	-	(1,123)	**(1,123)**
Net changes in fair value of investment properties	72,221	45,936	**118,157**
Segment results	**209,034**	**131,318**	**340,352**
Income not assigned to segments			**5,405**
Expenses not assigned to segments			**(67,617)**
Net profit before income tax			**278,140**

Property values are also reported by segment and this information is reported in note 2.2.

Major customer

Revenues from one customer, Woolworths Limited, of the Group's Industrial segment represents $41,400,000 (2017: $45,650,000) of the Group's total revenues.

2.2 Investment properties

Accounting policies

Investment property

Investment property is property held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are initially measured at cost including transaction costs. Costs incurred subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the entity and the cost of that capital expenditure can be measured reliably. All other costs are expensed in the profit and loss in the period incurred.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors revalue the property investments on the basis of valuations determined by them or independent valuers on a periodic basis. The Group assesses at each balance date whether these valuations appropriately reflect the fair value of investment properties.

Any gains or losses arising from changes in fair value of the properties are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they arise.

Lease incentives and commissions

Any lease incentives provided to a tenant under the terms of a lease such as fit-outs or rent free periods are recognised as a reduction of revenue on a straight-line basis over the term of the lease.

Leasing commissions paid to agents on signing of lease agreements are recognised as a reduction of revenue on a straight-line basis over the term of the lease.

Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued generally, values the Group's entire investment property portfolio each financial year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgably and willingly.

2.2 Investment properties (continued)

Determination of fair value (continued)

In the absence of current prices in an active market, the valuations are prepared on the basis of a discounted cash flow valuation where the net annual cash flows derived from the property are discounted to a net present value at a target internal rate of return or discount rate.

Valuations reflect, where appropriate, the types of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and when appropriate, counter-notices, have been served validly and within the appropriate time frame.

Investment Properties Value

			Latest External Valuation		Consolidated Book Value	
Industrial Properties			Date	Valuation	**30-Jun-18**	30-Jun-17
				$'000	*$'000*	*$'000*
Victoria						
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-18	77,400	**77,400**	77,700
522-550 Wellington Road (i)	Mulgrave	VIC	31-Dec-16	65,500	**-**	65,900
1500 Ferntree Gully Road & 8 Henderson Road	Knoxfield	VIC	30-Jun-18	44,000	**44,000**	42,300
40 Annandale Road	Melbourne Airport	VIC	30-Jun-18	34,800	**34,800**	33,000
9-11 Drake Boulevard	Altona	VIC	31-Dec-17	33,500	**34,500**	31,350
120-132 Atlantic Drive	Keysborough	VIC	31-Dec-17	25,000	**25,250**	24,100
130 Sharps Road	Melbourne Airport	VIC	31-Dec-17	25,300	**25,100**	24,500
Lots 2-4, 44-54 Raglan Street	Preston	VIC	31-Dec-17	24,300	**24,500**	23,100
120 Link Road	Melbourne Airport	VIC	31-Dec-17	17,000	**17,000**	15,500
20 Southern Court	Keysborough	VIC	30-Jun-18	15,800	**15,800**	15,250
6 Kingston Park Court	Knoxfield	VIC	30-Jun-18	12,300	**12,300**	12,150
60 Annandale Road	Melbourne Airport	VIC	30-Jun-18	11,700	**11,700**	13,000
3 Millennium Court	Knoxfield	VIC	31-Dec-17	11,500	**11,500**	11,000
31 Garden Street	Kilsyth	VIC	31-Dec-17	10,250	**11,200**	10,100
101-111 South Centre Road	Melbourne Airport	VIC	31-Dec-17	8,300	**8,800**	7,850
19 Southern Court	Keysborough	VIC	30-Jun-18	8,100	**8,100**	8,100
75 Annandale Road	Melbourne Airport	VIC	30-Jun-18	7,650	**7,650**	7,150
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-17	215,000	**220,000**	205,000
13 Business Street	Yatala	QLD	31-Dec-17	15,000	**13,750**	15,000
5 Viola Place	Brisbane Airport	QLD	31-Dec-17	8,700	**8,700**	8,000
3 Viola Place	Brisbane Airport	QLD	31-Dec-17	2,450	**2,450**	2,100
Western Australia						
20 Colquhoun Road	Perth Airport	WA	31-Dec-17	160,000	**163,750**	152,800
2 Hugh Edwards Drive (ii)	Perth Airport	WA	30-Jun-18	17,150	**17,150**	-
10 Hugh Edwards Drive (ii)	Perth Airport	WA	30-Jun-18	8,900	**8,900**	-
36 Tarlton Crescent (ii)	Perth Airport	WA	30-Jun-18	8,500	**8,500**	-
58 Tarlton Crescent (ii)	Perth Airport	WA	30-Jun-18	13,350	**13,350**	-

(i) This property was sold in December 2017.
(ii) These properties were acquired in October 2017.

Notes to the Financial Statements continued

2.2 Investment properties (continued)

Investment Properties Value (continued)

Industrial Properties			Latest External Valuation Date	Latest External Valuation Valuation $'000	Consolidated Book Value 30-Jun-18 $'000	Consolidated Book Value 30-Jun-17 $'000
New South Wales						
27-49 Lenore Drive	Erskine Park	NSW	30-Jun-18	68,750	**68,750**	63,500
6-7 John Morphett Place	Erskine Park	NSW	31-Dec-17	45,600	**46,500**	45,000
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-17	33,750	**34,500**	32,000
34 Reddalls Road	Kembla Grange	NSW	30-Jun-18	26,000	**26,000**	24,000
81 Derby Street	Silverwater	NSW	31-Dec-17	18,000	**18,500**	16,600
South Australia						
599 Main North Road	Gepps Cross	SA	31-Dec-17	77,500	**79,000**	73,400
1-3 Pope Court	Beverley	SA	30-Jun-18	22,500	**22,500**	21,250
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-17	15,600	**15,800**	14,300
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-17	9,100	**9,100**	8,400
Total Industrial Properties				1,198,250	**1,146,800**	1,103,400

Office Properties			Latest External Valuation Date	Latest External Valuation Valuation $'000	Consolidated Book Value 30-Jun-18 $'000	Consolidated Book Value 30-Jun-17 $'000
Victoria						
75 Dorcas Street	South Melbourne	VIC	30-Jun-18	190,000	**190,000**	180,000
Vantage, 109 Burwood Road	Hawthorn	VIC	30-Jun-18	106,000	**106,000**	89,250
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-18	90,600	**90,600**	80,900
Buildings 1&3, 572-576 Swan Street	Richmond	VIC	31-Dec-17	80,750	**82,750**	62,000
Building B, 211 Wellington Road	Mulgrave	VIC	31-Dec-17	73,500	**74,000**	72,400
Building C, 211 Wellington Road	Mulgrave	VIC	31-Dec-17	57,000	**57,250**	55,500
Car Park, 572-576 Swan Street	Richmond	VIC	30-Jun-18	1,200	**1,200**	1,125
Queensland						
Optus Centre, 15 Green Square Close	Fortitude Valley	QLD	30-Jun-18	144,000	**144,000**	138,000
333 Ann Street	Brisbane	QLD	30-Jun-18	130,000	**130,000**	121,000
CB1, 22 Cordelia Street	South Brisbane	QLD	30-Jun-18	104,500	**104,500**	99,000
A1, 32 Cordelia Street	South Brisbane	QLD	31-Dec-17	83,000	**84,000**	81,200
A4, 52 Merivale Street	South Brisbane	QLD	30-Jun-18	82,500	**82,500**	79,000
CB2, 42 Merivale Street	South Brisbane	QLD	31-Dec-17	59,500	**60,000**	57,200
Car Park, 32 Cordelia Street & 52 Merivale Street	South Brisbane	QLD	31-Dec-17	27,000	**27,000**	26,000
South Australia						
World Park, 33-39 Richmond Road	Keswick	SA	30-Jun-18	62,000	**62,000**	62,000
7 Laffer Drive	Bedford Park	SA	31-Dec-17	19,500	**20,000**	15,500

2.2 Investment properties (continued)

Investment Properties Value (continued)

Office Properties			Latest External Valuation Date	Latest External Valuation	Consolidated Book Value 30-Jun-18	Consolidated Book Value 30-Jun-17
				$'000	$'000	$'000
New South Wales						
1 Charles Street	Parramatta	NSW	31-Dec-17	310,000	**310,000**	303,500
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-17	124,000	**123,500**	115,000
3 Murray Rose Avenue	Sydney Olympic Park	NSW	30-Jun-18	101,000	**101,000**	97,000
5 Murray Rose Avenue	Sydney Olympic Park	NSW	31-Dec-17	100,000	**100,500**	97,000
Quad 2, 6 Parkview Drive (iii)	Sydney Olympic Park	NSW	31-Dec-16	28,500	**-**	28,500
Quad 3, 102 Bennelong Parkway (iii)	Sydney Olympic Park	NSW	30-Jun-17	29,800	**-**	29,800
Tasmania						
89 Cambridge Park Drive	Cambridge	TAS	31-Dec-17	27,000	**26,700**	27,000
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-18	93,500	**93,500**	87,000
255 London Circuit	Canberra	ACT	31-Dec-17	73,000	**74,000**	72,000
Total Office Properties				2,197,850	**2,145,000**	2,076,875
Total investment properties				3,396,100	**3,291,800**	3,180,275

(iii) These properties have been transferred to assets held for sale.

Valuation basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for comparable properties in similar location and condition and subject to similar leases.

External valuations were conducted by JLL, Savills, Urbis, CBRE, Knight Frank, Colliers and m3property. The fair value of properties not externally valued as at 30 June 2018 were based solely on Director valuations.

At each reporting date, the Directors update their assessment of the fair value of each property in accordance with the Group's accounting policy detailed above.

The Group determines a property's value within a range of reasonable fair value estimates and, in making that assessment, considers information from a variety of sources including:

- Current prices for comparable investment properties, as adjusted to reflect differences for location, building quality, tenancy profile and other factors.
- Discounted cash flow projections based on estimates of future cash flows.
- Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from analysis of market evidence.

Notes to the Financial Statements continued

2.2 Investment properties (continued)

Valuation basis (continued)

At reporting date, the key assumptions and inputs into the valuation techniques used by the Group in determining fair value were in the following ranges for the Group's portfolio of industrial properties:

	2018	2017
Discount rate	**6.8%-8.8%**	7.3%-8.5%
Terminal yield	**6.0%-10.0%**	6.3%-10.0%
Capitalisation rate	**5.8%-8.8%**	5.8%-9.0%
Expected vacancy period	**3-12 months**	3-12 months
Rental growth rate	**2.5%-4.0%**	2.5% - 5.0%

For the office portfolio the following ranges were used:

	2018	2017
Discount rate	**6.8%-9.0%**	6.8%-10.5%
Terminal yield	**6.0%-8.5%**	6.3%-10.3%
Capitalisation rate	**5.3%-14.4%**	5.5%-13.4%
Expected vacancy period	**6-12 months**	6-12 months
Rental growth rate	**3.0%–4.5%**	3.0% - 4.5%

Commentary on Discount Rates

Date of Valuation	**30-Jun-18**	30-Jun-17
Weighted average 10-year discount rate used to value the Group's properties	**7.11%**	7.49%
10-year Australian Government bond rate	**2.63%**	2.60%
Implied property risk premium	**4.48%**	4.89%

As the above table shows, over the 12 months to 30 June 2018 discount rates utilised in the valuation of the Group's property portfolio have tightened (lowered) by approximately 38 basis points. Over the same period the implied property risk premium has decreased by approximately 41 basis points. The implied property risk premium is the difference between the weighted average discount rate and the 10-year Australian Government bond rate. The decrease in the implied property risk premium is largely due to further tightening of the Group's weighted average discount rate.

Commentary on Capitalisation Rates

Office

Australian office markets, particularly Eastern seaboard markets, continue to attract significant volumes of capital and remain attractive relative to international investment markets given healthy yields, improving leasing fundamentals and near historically low borrowing rates. Melbourne and Sydney remain the focal point of investor attention given the strength of their local economies and occupier markets, while Brisbane and Adelaide continue to attract investment given their favourable yield spreads (yield premiums) over Melbourne and Sydney. Improving leasing market fundamentals in Perth have also encouraged counter-cyclical investor activity over the past year. Transactional evidence over the past 12 months has demonstrated yield compression of between 12.5 and 50 basis points in most major office markets. The weighted average capitalisation rate used in valuing the office portfolio has firmed from 6.3% to 6.0% over the year to 30 June 2018.

Industrial

Strong investor demand and a re-assessment of return expectations led to further yield compression in the major Australian industrial markets over the past 12 months. The Eastern seaboard remains the focus for both domestic and foreign capital, although a lack of opportunity in both markets and improved confidence in local market conditions has encouraged investors to consider the Brisbane and Perth markets. Prime yields are now generally placed between 5.75% and 6.50% for modern, well located assets with long-term leases, while assets considered 'super prime' (modern assets with lease terms longer than 10 years) are now generally priced at or below 5.50%. Transactional evidence over the past 12 months has provided good evidence for the Group's own industrial properties. The weighted average capitalisation rate used to value the industrial portfolio firmed from 6.9% to 6.6% over the year to 30 June 2018.

2.2 Investment properties (continued)

Uncertainty around property valuations

Fair value of investment property is the price at which the property could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market for comparable property in terms of investment characteristics such as location, lettable area and land area, building characteristics, property condition, lease terms and rental income potential, amongst others.

The fair value of investment property has been assessed to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at the balance sheet date, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

An increase in discount rates, terminal yields, capitalisation rates and expected vacancy periods would decrease the value of investment property. Conversely, a decrease in these inputs would increase the value of investment property.

An increase in rental growth rates would increase the value of investment property, where as a decrease would decrease the value of investment property.

Contractual obligations

At 30 June 2018, the following contractual obligations relating to development and expansions at existing investment property are in place:

- Under an expansion clause in the current lease to Symbion at 120-132 Atlantic Drive, Keysborough, Victoria the tenant can request a 3,000 sqm expansion at any point during the term (which currently expires on 20 December 2028). The Group would be responsible for funding this expansion. Upon completion, the lease would be re-set so that at least seven years remained and rent would be charged on the additional lettable area constructed under the expansion clause.
- Under a warehouse expansion clause in the current lease to Brown & Watson International Pty Ltd at 1500 Ferntree Gully Road, Knoxfield, Victoria, the tenant can request an expansion of the warehouse over the vacant land at any point during the initial term prior to the latest date for exercising the first option (which is 13 August 2024). The Group would be responsible for funding this expansion. Upon completion, the lease would be re-set so that at least seven years remained and rent would be charged on a formula utilising the construction costs under the warehouse expansion clause.

The property expansions detailed above have an estimated aggregate cost of not more than $5.0 million.

Construction contract for Building 3, 572-576 Swan Street, Richmond, Victoria with Hacer Group for development of a new 19,300 sqm office property with a contract value of approximately $80.0 million.

The Group also has an obligation in June 2019 to make available $6.0 million to the tenant at 1 Charles Street, Parramatta, New South Wales to spend on capital expenditure or refurbishment at the property.

The Group has an obligation in FY19, under a lease at Building 2, 572-576 Swan Street, Richmond, Victoria, to pay for lessor works totalling $3.8 million.

Amounts recognised in profit and loss for investment properties

	2018	2017
	$'000	*$'000*
Rental income	**254,239**	261,463
Straight line adjustment to rental income	**5,962**	2,522
Net gain from fair value adjustment	**166,958**	118,157
Profit / (loss) on sale of investment properties	**24,419**	(1,123)
Direct operating expenses from property that generated rental income	**(40,614)**	(38,145)
	410,964	342,874

Notes to the Financial Statements continued

2.2 Investment properties (continued)

Leasing arrangements

The majority of the investment properties are leased to tenants under non-cancellable, long-term operating leases with rent payable monthly. The minimum lease payments under these leases are receivable as follows:

	2018	2017
	$'000	*$'000*
Within one year	**226,109**	228,397
Later than one year but not later than five years	**747,117**	819,366
Later than five years	**345,803**	476,081
	1,319,029	1,523,844

10 (2017: 10) of the investment properties are held on a leasehold basis with non-cancellable, long-term operating leases with ground rent payable monthly. The minimum lease payments under these leases payable by the Trust are as follows:

	2018	2017
	$'000	*$'000*
Within one year	**3,646**	2,261
Later than one year but not later than five years	**8,551**	4,722
Later than five years	**930**	148
	13,127	7,131

Reconciliation of value of investment properties

	2018	2017
	$'000	*$'000*
At fair value		
Opening balance	**3,180,275**	2,651,144
Acquisitions	**48,847**	510,867
Capital expenditure	**10,315**	10,042
Lease incentives and leasing costs	**25,934**	17,238
Amortisation of lease incentives and leasing costs	**(16,327)**	(9,969)
Disposals	**(65,914)**	(16,226)
Reclassification (to) / from held for sale	**(64,250)**	(103,500)
Straight lining of revenue adjustment	**5,962**	2,522
Net gain from fair value adjustment	**166,958**	118,157
Closing balance at 30 June	**3,291,800**	3,180,275

2.3 Investment in securities

Determination of fair value

Investment in securities contains a financial asset designated at fair value through profit or loss at inception. The fair value of investment in securities is the price that would be received to sell this asset in an orderly transaction between market participants at the measurement date. This fair value is based on the last traded market price from the Australian Securities Exchange (ASX) of the relating security at reporting date.

The following table represents the fair value movement in investment in securities for the year ended 30 June 2018.

	Fair value of Industria REIT stapled securities
	$'000
Opening balance	-
Purchases	68,129
Sales	-
Closing balance	**78,497**
Gain in the net change in fair value of investment in securities	10,368

An off-market purchase of 29,621,555 Industria REIT (IDR) stapled securities was completed in July 2017. The last traded market price of an IDR stapled security on the ASX was $2.65 as at 30 June 2018.

Fair value hierarchy

The fair value of investments in securities has been classified as Level 1 in the fair value hierarchy based on quoted prices in an active market.

2.4 Non-current assets held for sale

Accounting policy

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value with the exception of investment property which continues to be measured in accordance with accounting policy note 2.2.

As at 30 June 2018, there were two properties classed as held for sale (2017: 1) and their value is shown on the table below:

	2018	2017
	$'000	*$'000*
1231-1241 Sandgate Road, Nundah, QLD	**-**	103,500
Quad 2, 6 Parkview Drive, Sydney Olympic Park, NSW	**32,500**	-
Quad 3, 102 Bennelong Parkway, Sydney Olympic Park, NSW	**31,750**	-
Total	**64,250**	103,500

Notes to the Financial Statements continued

2.5 Trade and other assets

Accounting policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade and other assets is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that all amounts due will not be able to be collected according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or significant delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income within property revenue. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off. Subsequent recoveries of amounts previously written off are credited against property revenue in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Impairment

A financial asset not carried at fair value through profit or loss (meaning the asset value has not been increased or decreased to accord with its assessed market value) is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not otherwise normally consider, indications that a debtor or issuer will enter bankruptcy and the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collectively for impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and reflected in an allowance account against receivables.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, then the impairment loss is reversed, with the amount of the reversal recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

2.5 Trade and other assets (continued)

Determination of fair value

The fair value of trade and other assets is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

Trade and other assets can be analysed as follows:

	2018	2017
	$'000	*$'000*
Current		
Rent receivables	**538**	1,335
Distribution receivables	**1,244**	-
Prepayments	**4,801**	4,756
Proceeds from sale of investment properties	**-**	4,800
	6,583	10,891

Impaired rent receivables

As at 30 June 2018, there were no impaired rent receivables (2017: nil).

2.6 Trade and other liabilities

Accounting policies

These amounts represent liabilities for goods and services provided to the Group prior to the end of the reporting period and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other liabilities are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost.

Trade and other liabilities can be analysed as follows:

	2018	2017
	$'000	*$'000*
Current		
Trade payables	**2,340**	2,350
Non-trade payables	**865**	586
GST payable	**1,881**	2,040
Accrued expenses - other	**12,378**	21,238
Prepaid rent	**18,052**	20,321
Other liabilities (i)	**1,854**	2,215
	37,370	48,750
Non-current		
Non-trade payables	**69**	-
	69	-

(i) Other liabilities represents an obligation to fund capital expenditure by the Company as the custodian of the Charles Street Property Trust. An equal amount was received and is held as cash (see Note 2.7)

Notes to the Financial Statements continued

2.7 Cash flow information

Accounting policies

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

Restricted cash

Cash and cash equivalents includes a balance of $1,854,000 (30 June 2017: $2,215,000) in restricted cash which is being held by the Company as the custodian of the Charles Street Property Trust. These funds are not available for general use by the Group.

Cash flow information

	2018	2017
	$'000	*$'000*
(a) Reconciliation of cash at end of year		
Cash and cash equivalents balance	**31,463**	31,459
(b) Reconciliation of net operating profit to net cash inflow from operating activities		
Net profit for the period	**357,709**	278,090
Distributions from investment in securities	**(4,886)**	-
Fair value adjustment to investment properties	**(166,958)**	(118,157)
(Profit)/ loss on sale of investment properties	**(24,419)**	1,123
Fair value adjustment to investment in securities	**(10,368)**	-
Fair value adjustment to derivatives	**573**	(16,161)
Loss on settlement of derivatives	**-**	13,779
Amortisation of borrowing costs	**1,583**	2,412
Interest received	**(317)**	(501)
Depreciation	**293**	162
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
– Increase in Lease incentives and leasing costs	**(9,607)**	(7,304)
– Decrease/ (Increase) in receivables	**5,568**	(5,141)
– Increase in prepayments	**(1,308)**	(2,612)
– Increase in deferred tax asset	**(104)**	(221)
– Increase/ (decrease) in payables	**(9,363)**	16,031
Net cash inflow from operating activities	**138,396**	161,500

Section 3: Capital structure and financing costs

in this section ...

This section outlines how the Group manages its capital and related financing costs.

3.1 Interest bearing liabilities

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the Consolidated Statement of Financial Position.

Interest bearing liabilities

The table below summarises the movements in the Group's interest bearing liabilities during the year.

	Opening balance 1 July 2017	Movement during period	**Balance as at 30 June 2018**	Facility limit	Maturity
	$'000	*$'000*	*$'000*	*$'000*	
Secured loans					
Syndicated bank facility					
– Facility B	100,000	-	**100,000**	100,000	Mar-23
– Facility C	245,000	-	**245,000**	245,000	Dec-21
– Facility D	52,144	17,856	**70,000**	70,000	Dec-21
– Facility E	100,000	-	**100,000**	150,000	Jun-23
– Facility G	150,000	(120,000)	**30,000**	150,000	Sep-21
– Facility I	-	-	**-**	75,000	Nov-20
– Facility H	-	-	**-**	75,000	Sep-20
Loan note 1	200,000	-	**200,000**	200,000	Mar-25
Loan note 2	100,000	-	**100,000**	100,000	Dec-22
Loan note 3	60,000	-	**60,000**	60,000	Dec-22
Fixed bank facility 1	90,000	-	**90,000**	90,000	Dec-22
USPP 1	130,344	-	**130,344**	130,344	Jun-27
USPP 2	52,138	-	**52,138**	52,138	Jun-29
USPP 3	26,000	-	**26,000**	26,000	Jun-29
Total loans	1,305,626	(102,144)	**1,203,482**	1,523,482	
Less unamortised upfront costs	(6,246)	319	**(5,927)**		
Total interest bearing liabilities	1,299,380	(101,825)	**1,197,555**		

The weighted average all-in interest rate on interest bearing liabilities (including bank margin and amortisation of upfront fees paid) at 30 June 2018 was 4.44% per annum (2017: 4.29% per annum). Refer to note 3.3 for details on interest rate and cross currency swaps.

Fair value

The carrying amounts are not materially different to the fair values of borrowings at balance sheet date since the interest payable on those borrowings is close to current market rates.

Notes to the Financial Statements continued

3.1 Interest bearing liabilities (continued)

Interest bearing liabilities (continued)

Assets pledged as security

The bank loans, Loan Notes, USPP and bills payable by the Group are secured by first ranking mortgages over the Group's real property interests, including those classified as investment properties.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2018	2017
	$'000	*$'000*
Current		
Floating charge		
Cash and cash equivalents	**31,463**	31,459
Receivables	**6,583**	10,891
Assets held for sale	**64,250**	103,500
	102,296	145,850
Non-current		
First mortgage		
Investment properties	**3,291,800**	3,180,275
Floating charge		
Plant and equipment	**930**	1,197
Deferred tax assets	**1,046**	929
Total non-current assets pledged as security	**3,293,776**	3,182,401
Total assets pledged as security	**3,396,072**	3,328,251

3.2 Borrowing costs

Accounting policies

Borrowing costs are interest and other costs incurred in connection with interest bearing liabilities including derivatives and recognised as expenses in the period in which they are incurred, except where they are incurred for the construction of any qualifying asset where they are capitalised during the period of time that is required to complete and prepare the asset for its intended use.

Borrowing costs can be analysed as follows:

	2018	2017
	$'000	*$'000*
Bank interest expense and charges	**53,215**	52,821
Amortisation of borrowing costs	**1,582**	2,411
	54,797	55,232

3.3 Derivative financial instruments

Accounting policies

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. The Group takes out certain derivative contracts as part of its financial risk management, however, it has elected not to designate these to qualify for hedge accounting under AASB 139.

Interest rate and cross currency swaps

Changes in fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

Determination of fair value

The fair value of interest rate and cross currency swaps are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a substitute instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group and counterparty when appropriate.

Derivative financial instruments

Derivative financial instruments can be analysed as follows:

	2018	2017
	$'000	*$'000*
Interest rate swap contracts – carried at fair value through profit and loss:		
Total non-current derivative financial instrument assets	**-**	121
Total non-current derivative financial instrument liabilities	**(6,892)**	(6,440)
	(6,892)	(6,319)

Notes to the Financial Statements continued

3.3 Derivative financial instruments (continued)

Derivative financial instruments (continued)

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest and currency rates in accordance with the Group's financial risk management policies (refer to note 3.4). The gain or loss from re-measuring the interest rate and cross currency swaps at fair value is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income immediately.

Interest rate swap contracts – carried at fair value through profit and loss

Swaps in effect at 30 June 2018 covered 27% (30 June 2017: 25%) of the loan principal outstanding. With total fixed interest rate debt of $984 million outstanding (30 June 2017: $984 million), the total fixed interest rate coverage of outstanding principle is 82% (30 June 2017: 75%).

The average fixed interest rate of swaps at 30 June 2018 was 2.30% per annum (2017: 2.30% per annum) and the variable interest rate (excluding bank margin) is 1.97% per annum (30 June 17: 1.68% per annum) at balance date. See table below for further details of swaps in effect at 30 June 2018:

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*%*	*Years*
Interest rate swaps				
NAB	**25,000**	Jun-2020	2.36	2.0
CBA	**75,000**	Nov-2021	2.20	3.4
CBA	**25,000**	Jun-2020	2.36	2.0
ANZ	**50,000**	Dec-2020	2.42	2.5
Westpac	**50,000**	May-2021	2.10	2.9
Westpac	**50,000**	Jun-2021	2.48	3.0
ANZ	**50,000**	Jun-2021	2.33	3.0
Total / Weighted average	325,000		2.30	2.8

These contracts require settlement of net interest receivable or payable each 30 days. The settlement dates generally coincide with the dates on which interest is payable on the underlying debt. These contracts are settled on a net basis.

At balance date these contracts were a total liability with a fair value of $6,892,000 (30 June 17: net liability of $6,319,000) for the Group. For the year ended 30 June 2018 there was a loss from the decrease in fair value of $573,000 for the Group (2017: gain of $16,161,000).

Cross currency swap contracts – carried at fair value through profit and loss

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*%*	*Years*
Cross Currency Swaps				
NAB	**32,586**	Jun-2027	5.29	9.0
Westpac	**32,586**	Jun-2027	5.29	9.0
ANZ	**32,586**	Jun-2027	5.27	9.0
CBA	**32,586**	Jun-2027	5.26	9.0
NAB	**13,034**	Jun-2029	5.47	11.0
Westpac	**13,034**	Jun-2029	5.47	11.0
ANZ	**13,034**	Jun-2029	5.45	11.0
CBA	**13,034**	Jun-2029	5.44	11.0
Total / Weighted average	182,482		5.33	9.5

3.3 Derivative financial instruments (continued)

Derivative financial instruments (continued)

Fair value hierarchy

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- **Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.
- **Level 2**: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- **Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value of investment properties has been categorised as Level 3 in the fair value hierarchy based on the significant unobservable inputs into the valuation techniques used.

	Level 1	Level 2	Level 3	**Total**
	$'000	*$'000*	*$'000*	*$'000*
30 June 2018				
Derivative financial assets	-	-	-	**-**
Derivative financial liabilities	-	6,892	-	**6,892**
	-	6,892	-	**6,892**
30 June 2017				
Derivative financial assets	-	(121)	-	**(121)**
Derivative financial liabilities	-	6,440	-	**6,440**
	-	6,319	-	**6,319**

3.4 Financial risk management

Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk (including interest rate risk).

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital as well as relevant quantitative disclosure on risks.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit, Risk and Compliance Committee, which is responsible for developing and monitoring risk management policies and making appropriate recommendations to the Board. The Committee reports regularly to the Board on its activities. In addition, the Managing Director provides a regular report to the Board in relation to risks facing the Group.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit, Risk and Compliance Committee oversees how management monitor compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

46 Refer to page 46 of the Group's 2018 Sustainability Report for more details.

Notes to the Financial Statements continued

3.4 Financial risk management (continued)

Financial instruments used by the Group

The Group's principal financial instruments, other than derivatives, comprise bank loans and Loan Notes (including USPP Notes).

The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as other receivables and payables, which arise directly from its operations. The Group also enters into derivative transactions (interest rate and cross currency swaps) to manage the interest rate risks arising from the Group's operations. It is the Group's policy that no speculative trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk and foreign exchange risk. The Board of Directors reviews and agrees policies for managing these risks and these are summarised below.

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

Derivative financial instruments – interest rate swaps

The Group is exposed to financial risk from movement in interest rates. To reduce its exposure to adverse fluctuations in interest rates, the Group has employed the use of interest rate swaps whereby the Group agrees with a bank to exchange at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional principal amount. Any amounts paid or received relating to interest rate swaps are recognised as adjustments to interest expense over the life of each swap contract, thereby adjusting the effective interest rate on the underlying obligations.

The gain or loss from re-measuring the interest rate swaps at fair value is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income immediately, as hedge accounting under AASB 139 has not been adopted.

Derivative financial instruments – cross currency swaps

The Group is exposed to financial risk from the movement in foreign exchange rates based on its USD denominated debt. To remove its exposure to adverse fluctuations in foreign exchange rates, the Group has employed the use of cross currency swaps which convert foreign currency exposures into AUD exposures and convert all future payments of interest in USD to AUD. Sensitivity to foreign exchange fluctuations is therefore removed.

Credit risk

Credit risk is the risk that counterparties to a financial asset will fail to discharge their obligations, causing the Group to incur a financial loss.

For cash and current receivables, the maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivable.

The Group has significant derivative financial instruments held with four major Australian banks, NAB, Westpac, ANZ and CBA, counterparties which are considered to be high quality financial institutions. At balance sheet date, the fair value of the financial instruments is in a liability position (refer to Note 3.3).

The Group manages credit risk and the losses which could arise from default by ensuring that parties to contractual arrangements are of an appropriate credit rating, or do not show a history of defaults. Cash at bank is held with a major Australian bank.

Tenants for each of the properties held by the Group are assessed for creditworthiness before a new lease commences. This assessment is also undertaken where the Group acquires a tenanted property. If necessary, a new tenant will be required to provide lease security (such as personal, director or bank guarantees, a security deposit, letter of credit or some other form of security) before the tenancy is approved. Tenant receivables are monitored by property managers and the Group's asset managers on a monthly basis. If any amounts owing under a lease are overdue these are followed up for payment. Where payments are outstanding for a longer period than allowed under the lease, action to remedy the breach of the lease can be pursued, including legal action or the calling of security held by the Group under the lease. Where it is assessed it is not likely that the amount outstanding will be received by the Group an allowance is made for the debt being doubtful.

For developers from whom coupon interest is receivable by the Group over the course of a development, the Group assesses the creditworthiness of a developer counterparty prior to entering into a binding contractual relationship.

Net fair values

The carrying values of the Group's financial assets and liabilities included in the Statement of Financial Position approximate their fair values. Refer to the individual notes to these accounts regarding these assets and liabilities for the methods and assumptions adopted in determining net fair values.

3.4 Financial risk management (continued)

Financial instruments used by the Group (continued)

Market risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Group's income or the value of its holding of financial instruments.

A potential market risk to the Group arises from changes in interest rates relating to its Syndicated Facility with a principal amount outstanding of $545,000,000 at balance sheet date (2017: $647,144,000).

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates.

The following table sets out the carrying amount of the financial instruments that are exposed to interest rate risk.

	Fixed/Floating	2018	2017
		$'000	*$'000*
Financial assets			
Cash and cash equivalents	Floating	**31,463**	31,459
Derivative financial instruments	Floating	**-**	121
		31,463	31,580
Financial liabilities			
Derivative financial instruments	Floating	**6,892**	6,440
Interest bearing liabilities – fixed debt	Fixed	**658,482**	658,482
Interest bearing liabilities – hedged (i)	Fixed	**325,000**	325,000
Interest bearing liabilities – unhedged	Floating	**220,000**	322,144
		1,210,374	1,312,066

(i) Note – hedge accounting has not been adopted.

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date. At 30 June 2018, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit and equity would have been affected as follows:

	Post Tax Profit Higher / (Lower)	
	2018	2017
	$'000	*$'000*
+100 bps		
Cash and borrowings	**(1,885)**	(2,907)
Interest rate derivatives	**(8,933)**	(9,032)
Cross currency derivatives	**(2,178)**	(3,055)
	(12,996)	(14,994)
-100 bps		
Cash and borrowings	**1,885**	2,907
Interest rate derivatives	**13,188**	14,549
Cross currency derivatives	**16,566**	14,077
	31,639	31,533

As can be seen from the table above, the movements in profit are primarily due to fair value gains or losses on financial derivatives from an interest rate increase or decrease. These fair value gains or losses would be unrealised and non-cash in nature unless the interest rate swaps were closed or sold.

Notes to the Financial Statements continued

3.4 Financial risk management (continued)

Financial instruments used by the Group (continued)

Other market price risk

The Group is exposed to equity price risk, which arises from its investment in securities measured at fair value through profit and loss. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. Material investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board.

The primary goal of the Group's investment strategy is to maximise investment returns. Certain investments are designated as at fair value through profit and loss because their performance is actively monitored and they are managed on a fair value basis.

Sensitivity analysis – equity price risk

The Group's listed equity investments are listed on the Australian Securities Exchange (ASX). For such investments classified as fair value through profit and loss, a 10% increase/decrease in the equity value would have increased/decreased post tax profit by $7,850,000 (2017: nil).

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations in relation to investment activities or other operations of the Group. The Group manages its liquidity risk by ensuring that on a daily basis there is sufficient cash on hand or available loan facilities to meet the contractual obligations of financial liabilities as they fall due. The Board sets budgets to monitor cash flows. In addition, the Company, as an Australian Financial Services Licensee, is required to prepare a rolling 12 month cashflow projection approved by the Directors. As at the balance sheet date, the Group had cash and cash equivalents totalling $31,463,000 (2017: $31,459,000).

Financing arrangements

The Group had access to the following borrowing facilities as at the balance sheet date:

	2018	2017
	$'000	*$'000*
Syndicated bank facility		
Total facility	**865,000**	815,000
Used at balance date	**545,000**	647,144
Unused at balance date	**320,000**	167,856
Fixed debt		
Total facility	**658,482**	658,482
Used at balance date	**658,482**	658,482
Unused at balance date	**-**	-
Total unused bank facilities	**320,000**	167,856

3.4 Financial risk management (continued)

Financial instruments used by the Group (continued)

Maturities of financial liabilities

The maturity of financial liabilities (including trade and other payables, provision for distribution, provision for current tax payable, derivative financial instruments and interest bearing liabilities) at reporting date is shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows, including interest payments based on variable rates at 30 June 2018.

	Carrying amount	Total contractual cashflows	6 months or less	6 to 12 months	1 to 5 years	More than 5 years
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
2018						
Non-derivative financial liabilities						
Bank loans and Loan Notes	1,203,482	1,903,320	(16,029)	80,935	293,832	1,544,582
Trade and other liabilities	94,731	94,799	93,533	721	545	-
	1,298,213	1,998,119	77,504	81,656	294,377	1,544,582
Derivative financial liabilities						
Interest rate swaps used for hedging	6,892	1,713	873	736	104	-
	6,892	1,713	873	736	104	-
2017						
Non-derivative financial liabilities						
Bank loans	1,305,626	1,320,005	(148,157)	63,436	231,727	1,172,999
Trade and other liabilities	100,688	100,688	95,787	4,901	-	-
	1,406,314	1,420,693	(52,370)	68,337	231,727	1,172,999
Derivative financial liabilities						
Interest rate swaps used for hedging	6,440	4,508	1,208	1,113	2,187	-
	6,440	4,508	1,208	1,113	2,187	-

Notes to the Financial Statements continued

3.5 Contributed Equity and reserves

Accounting policies

Share capital

Stapled securities are classified as equity. Incremental costs directly attributable to the issue of stapled securities are recognised as a deduction from equity, net of any tax effects.

Distributions and dividends

Provision is made for the amount of any distribution or dividend declared, determined or publicly recommended by the Directors on or before the end of the period but not distributed at the balance sheet date.

Contributed Equity

Contributed equity can be analysed as follows:

	2018	**2018**	2017	2017
	No. ('000)	*$'000*	*No. ('000)*	*$'000*
Opening balance at 1 July	**661,341**	**1,653,735**	583,126	1,414,012
Issue of ordinary stapled securities during the year:				
Securities issued on acquisition of assets	**-**	**-**	44,380	139,808
Distribution reinvestment plans	**13,668**	**44,967**	33,528	105,928
Securities issued through Employee Incentive Plans	**376**	**-**	307	-
Costs of raising capital	**-**	**-**	-	(6,013)
	14,044	**44,967**	78,215	239,723
Closing balance at 30 June	**675,385**	**1,698,702**	661,341	1,653,735

Ordinary stapled securities

Ordinary stapled securities entitle the holder to participate in dividends and distributions and the proceeds on winding up of the Group in proportion to the number of and the amounts paid on the stapled securities held.

On a show of hands every holder of ordinary stapled securities present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each unit is entitled to one vote.

Distribution reinvestment plan

The Distribution Reinvestment Plan is operative for the 31 December 2017 and 30 June 2018 distributions of the Group.

Capital risk management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern, so that the Group can continue to provide returns for Securityholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends and distributions paid to Securityholders, return capital to Securityholders, vary the level of borrowings, issue new securities or sell assets.

During the year, the Group implemented several capital management initiatives, namely:

> The Distribution Reinvestment Plan was in operation for the 31 December 2017 distribution, raising a total of $44,967,000 for the issue of 13,667,999 new stapled securities.

> In April 2018, the Group extended two tranches of bank debt with a facility limit of $315,000,000 by two years to 31 December 2021.

> In June 2018, the Group extended a tranche of bank debt with a facility limit of $100,000,000 by four years to 31 March 2023.

> In June 2018, the Group increased a tranche of bank debt by $50,000,000 to a facility limit of $150,000,000. It also extended the maturity date by 4 years to 30 June 2023.

> The Distribution Reinvestment Plan was in operation for the 30 June 2018 distribution.

3.5 Contributed Equity and reserves (continued)

Capital risk management (continued)

The Group also holds an independent credit rating to aid it accessing debt capital markets. In April 2018, Moody's confirmed the Group's independent credit rating of Baa2 on senior secured debt with a stable outlook.

The Group maintains undrawn debt facilities to aid in capital management. As at 30 June 2018 the Group had total debt facilities of $1,523,482,000 of which $320,000,000 was undrawn at balance date.

The Group monitors capital by using a number of measures, such as gearing, interest cover and loan to valuation ratio. The gearing ratio is calculated by dividing interest bearing liabilities less cash by total assets less cash.

The Group has a target gearing range of 35% - 45%. At 30 June 2018, the gearing ratio was 33.9% (30 June 17: 38.5%). The gearing ratios at 30 June 2018 and 30 June 2017 were calculated as follows:

	2018	2017
	$'000	*$'000*
Total interest bearing liabilities less cash	**1,166,092**	1,267,921
Total assets less cash	**3,444,415**	3,296,913
Gearing ratio	**33.9%**	38.5%

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve comprises the transfer of the portion of the fair value of the total cost recognised under the Employee Incentive Plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date. Refer to Note 3.8 for more information.

Deferred tax expense charged to equity

This reserve comprises deferred tax balances attributable to amounts that are also recognised directly in equity. Refer to Note 4.3 for further information.

Profits reserve

The profits reserve comprises the transfer of net profit in the Company for the year (if any) and contains profits available for distribution as dividends in future years. There were no dividends distributed from the profits reserve during the year (2017: nil).

3.6 Distributions

Period for distribution	**Total distribution**	Total stapled securities	Distributions per stapled security
	$'000	*('000)*	*(cents)*
Half year to 31 December 2017	**72,789**	661,716	11.00
Half year to 30 June 2018	**75,643**	675,384	11.20
Total distribution for FY18	**148,432**		22.20
Half year to 31 December 2016	**67,991**	641,424	10.60
Half year to 30 June 2017	**72,086**	661,340	10.90
Total distribution for FY17	**140,077**		21.50

Notes to the Financial Statements continued

3.7 Earnings per stapled security ("EPS")

Earnings per stapled security

Basic EPS is determined by dividing the profit or loss attributable to Securityholders of the Group by the weighted average number of equivalent securities outstanding during the financial year.

Diluted EPS adjusts the figures used in the determination of basic EPS by taking into account amounts unpaid on securities and the effect of all dilutive potential ordinary securities.

	2018	2017
Profit attributable to Securityholders of the Group ($)	**357,709,000**	278,090,000
Weighted average number of stapled securities on issue for the year (no.)	**668,456,752**	651,245,952
Basic & diluted earnings per stapled security (cents)	**53.5**	42.7

3.8 Share-based payment arrangements

Accounting policies

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Determination of fair values

Fair value is calculated based on the present value of the performance right on the date of issuance in future periods, discounted at a market-related discount rate.

Share-based payment arrangements

At 30 June 2018, the Group has the following share-based payment arrangements:

Employee Incentive Plans FY15, FY16, FY17, FY18

The Group has introduced employee incentive plans for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the long-term goals and performance of the Group and the maximisation of wealth for its Securityholders. The current measures for the plans, which are reviewed regularly by the Nomination, Remuneration & HR Committee and/or the Board are described in full on page 43 (in the remuneration report section of the Directors' report).

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Under each plan, each eligible employee is sent a letter of invitation to the plan which outlines the percentage of their base salary that they can earn as performance rights. Acceptance of this invitation is the grant date for those performance rights. The percentage of the maximum possible earnings for each employee is determined by the percentage of the measures under each plan that are achieved.

Subject to the employee remaining employed by the Group, on or about 30 September of each year the employee will receive 25% of his or her performance rights, as they vest through the issue of stapled securities in the Group. Securities will be issued for an equivalent amount at an issue price per security based on the volume weighted average price of the securities over the first 20 trading days in September prior to the vesting date of the first tranche of each plan.

Any director in the plan will have their grant ratified at the Group's Annual General Meeting and following approval will be issued their securities on the same basis as the employees. The performance rights are cumulative and, subject to some exceptions, immediately vest in the case of a takeover of the Group or a redundancy.

3.8 Share-based payment arrangements (continued)

Share-based payment arrangements (continued)

During the year, the first tranche of the FY17, the second tranche of the FY16, the third tranche of the FY15 and the fourth tranche of the FY 14 Employee Incentive Plan performance rights was determined with the results shown on the table below:

Plan identification	Plan participants	Tranche	Cost
			$
FY17 Plan	Director	1	**175,230**
FY17 Plan	Employees	1	**300,222**
FY16 Plan	Director	2	**83,427**
FY16 Plan	Employees	2	**112,019**
FY15 Plan	Director	3	**129,540**
FY15 Plan	Employees	3	**140,308**
FY14 Plan	Director	4	**128,653**
FY14 Plan	Employees	4	**125,944**

The first tranche of the FY17 Employee Incentive Plan performance rights vested during the year.

The fair value of performance rights under the FY18 Employee Incentive Plan was determined on the grant date of those rights and then "trued-up" at 30 June 2018 where allowed. The fair value of these rights for the director is estimated as $368,160 and for other employees $705,201. This estimate is based on achieving 50.0% of the maximum payable under the FY18 plan. This is seen as a reasonable estimate of fair value as it is based on the percentage achieved for comparable elements from the FY16 plan, adjusted for information available on likely achievement as at 30 June 2018. The actual costs of performance rights cannot be determined until FY19 and the first issue of securities under the FY18 plan will not occur until FY19.

During the year, $1,229,000 was recognised in the share based payments reserve (June 17: $1,319,000). This represents the amounts recognised under the four plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date.

As of the date of the report, the number of equity shares to be granted and vested in the future cannot be determined until the rights fully vest.

The table below outlines the value of performance rights granted during the year to 30 June 2018, where those values can be determined. It also outlines the value of performance rights that were issued as stapled securities in the Group.

Plan identification	Plan participants	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during FY18
			$	No.	$	%
FY17 Plan	Director	23-Nov-17	175,230	55,104	N/A	25%
FY17 Plan	Employees	4-Oct-17	300,222	94,410	N/A	25%
FY16 Plan	Director	4-Oct-17	83,427	26,235	N/A	25%
FY16 Plan	Employees	4-Oct-17	112,019	35,227	N/A	25%
FY15 Plan	Director	4-Oct-17	129,540	40,736	N/A	25%
FY15 Plan	Employees	4-Oct-17	140,308	44,123	N/A	25%
FY14 Plan	Director	4-Oct-17	128,653	40,457	N/A	25%
FY14 Plan	Employees	4-Oct-17	125,944	39,605	N/A	25%

Notes to the Financial Statements continued

Section 4: Other notes

4.1 Key management personnel compensation

Accounting policies

Employee benefits - Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the periods during which services are rendered by employees. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

Employee benefits - Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognised as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, they are discounted to their present value.

Employee benefits - Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Compensation

The key management personnel compensation comprised:

	2018	2017
	$	*$*
Short-term employee benefits	**4,530,409**	3,715,568
Other long-term employee benefits	**9,368**	-
Post-employment benefits	**144,412**	155,796
Share-based payments	**913,548**	1,024,316
	5,597,737	4,895,680

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' compensation and equity instruments disclosure as required by Corporations Regulation 2M.3.03 is provided in the remuneration report section of the Directors' Report.

Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors' interests existing at year-end.

4.1 Key management personnel compensation (continued)

Compensation (continued)

Movements in securities

The movement in the number of ordinary stapled securities in the Group held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2018

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	No.	No.	No.	No.
G. Jackson	164,799	-	5,510	-	170,309
N. Sasse	1,470,908	-	49,179	-	1,520,087
E. de Klerk	1,549,983	-	51,821	-	1,601,804
T. Collyer	790,960	162,532	-	-	953,492
F. Marais	150,322	-	-	-	150,322
A. Hockly	-	45,005	-	-	45,005
D. Andrews	42,257	43,558	-	-	85,815
M. Green	47,370	43,831	-	(46,000)	45,201
G. Tomlinson	78,831	-	2,636	-	81,467
M. Brenner	7,245	-	-	-	7,245
J. Sukkar	-	-	-	-	-

During the year to 30 June 2018, a total of 294,926 stapled securities with a total value of $937,865 were issued to key management personnel upon vesting of performance rights under Employee Incentive Plans.

2017

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	No.	No.	No.	No.
G. Jackson	144,707	-	20,092	-	164,799
N. Sasse	1,293,762	-	177,146	-	1,470,908
E. de Klerk	1,354,592	-	195,391	-	1,549,983
T. Collyer	625,612	150,033	15,315	-	790,960
F. Marais	134,451	-	15,871	-	150,322
A. Hockly	107,558	35,719	8,482	(151,759)	-
D. Andrews	120,851	33,511	9,396	(121,501)	42,257
M. Green	32,399	33,321	-	(18,350)	47,370
G. Tomlinson	59,332	-	19,499	-	78,831
M. Brenner	7,245	-	-	-	7,245

During the year to 30 June 2017, a total of 252,584 stapled securities with a total value of $818,372 were issued to key management personnel upon vesting of performance rights under Employee Incentive Plans.

Key management personnel loan disclosures

The Group has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Notes to the Financial Statements continued

4.2 Related party transactions

Responsible Entity

The current Responsible Entity of Growthpoint Properties Australia Trust is Growthpoint Properties Australia Limited. It has acted in that role since its appointment on 5 August 2009.

Responsible Entity's/manager's fees and other transactions

Under the current stapled structure, the management of the Trust is internalised and no Responsible Entity or management fees are paid to external parties. No performance fee or other fees were paid or payable during the year.

Director transactions

A number of Directors, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

One of these entities transacted with the Group in the reporting period. The terms and conditions of the transaction were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions with non-related parties on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to directors and entities over which they have significant control or significant influence were as follows:

Director	Transaction	2018	2017
		$	$
G. Jackson (i)	Valuation	**68,720**	52,150

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value 12 properties (2017: 7). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and Mr Jackson was not directly involved in the Group's engagement of m3property. The expense of valuation services provided by m3property represented 16% of the total valuation expense for the year (2017: 11%).

At 30 June 2018, $26,500 was payable for valuation services to m3property (2017: $11,500).

Transactions with significant shareholders

During the year there were no transactions with significant shareholders (FY 17: the ultimate parent entity, Growthpoint Properties Limited, provided underwriting for the December 2016 half year DRP. No fees were charged for this underwriting and Securityholder approval was obtained at the November 2016 Annual General Meeting for this underwriting.).

There were no balances outstanding from transactions with significant shareholders as at 30 June 2018 (2017: nil).

4.3 Taxation

Accounting policies

Income Tax

Under current income tax legislation, no income tax is payable by the Trust provided taxable income is fully distributed to Securityholders or the Securityholders become presently entitled to all the taxable income.

For the Company, income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to a business combination, or items recognised directly in equity or in other comprehensive income.

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Deferred tax assets are reviewed each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4.3 Taxation (continued)

Accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Income tax expense

The tables below relate to income tax for the Company only.

Income tax expense:

	2018	2017
	$'000	*$'000*
Current tax expense	**210**	217
Deferred tax benefit	**(117)**	(185)
Over provision from prior year	**-**	18
	93	50

Numerical reconciliation of income tax expense to prima facie tax payable:

	2018	2017
	$'000	*$'000*
Loss before income tax expense	**(960)**	(1,184)
Income tax benefit using the Company's domestic rate of 30%	**(288)**	(355)
Increase in income tax due to:		
Non-deductible expenses	**381**	405
	93	50

The weighted average tax rate for FY18 and FY17 is not meaningful as there is a loss before tax expenses but for tax purposes there is a profit.

As at 30 June 2018, the Company had franking credits of $2,256,486 available to it (30 June 2017: $1,896,021).

Notes to the Financial Statements continued

4.3 Taxation (continued)

Income tax expense (continued)

Movement in temporary differences during the year

	Opening balance 1 July 2017	Charged to profit and loss	Charged to equity	**Balance 30 June 2018**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Property, plant and equipment	-	35	-	**35**
Equity raising costs	83	(31)	-	**53**
Total	83	4	-	**88**
Current liabilities:				
Accrued expenses	164	64	-	**228**
Employee benefits	663	48	-	**711**
Prepayments	19	-	-	**19**
Total	846	112	-	**958**
Total movement in temporary differences	929	116	-	**1,046**

	Opening balance 1 July 2016	Charged to profit and loss	Charged to equity	**Balance 30 June 2017**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Equity raising costs	69	(71)	85	**83**
Total	69	(71)	85	**83**
Current liabilities:				
Accrued expenses	146	18	-	**164**
Employee benefits	471	192	-	**663**
Prepayments	23	(4)	-	**19**
Total	640	206	-	**846**
Total movement in temporary differences	709	135	85	**929**

4.4 Contingent liabilities

The Group has no contingent liabilities as at the date of this report (2017: nil).

4.5 Commitments

For details of commitments on properties to be expanded see Note 2.2.

The Group has no other significant capital, lease or remuneration commitments in existence at reporting date, which have not been recognised as liabilities in these financial statements (2017: nil).

4.6 Controlled entities

Accounting policies

Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Where control of an entity is obtained during a period, its results are included in the consolidated income statement from the date on which control commences. Where control of an entity ceases during a period its results are included only for that part of the period during which control existed. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expense arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Controlled entities

The controlled entities of the Group listed below were all domiciled in Australia and were wholly owned during the current year and prior year, unless otherwise stated:

Wholesale Industrial Property Fund
19 Southern Court Property Trust
Kilsyth 1 Property Trust
Kilsyth 2 Property Trust
Queensland Property Trust
New South Wales Property Trust
Coolaroo Property Trust
Broadmeadows Leasehold Trust
Atlantic Drive Property Trust
20 Southern Court Property Trust
Ravenhall Property Trust
Laverton Property Trust
Drake Boulevard Property Trust
Preston 2 Property Trust
Goulburn Property Trust
Growthpoint Properties Australia Limited
Growthpoint Nominees (Aust) Pty Limited
Growthpoint Nominees (Aust) 2 Pty Limited
Eagle Farm Property Trust
Yatala 1 Property Trust
Yatala 2 Property Trust
Yatala 3 Property Trust
South Brisbane 1 Property Trust
South Brisbane 2 Property Trust
SW1 Car Park Trust
World Park Property Trust
Building 2 Richmond Property Trust
Lot S5 Property Trust
Derrimut Property Trust
Dandenong South Property Trust
Nundah Property Trust
Rabinov Property Trust
Rabinov Property Trust No. 2
Rabinov Property Trust No. 3
Ann Street Property Trust
CB Property Trust
New South Wales 2 Property Trust
Richmond Car Park Trust
Mort Street Property Trust
Erskine Park Pharmaceutical Trust
Erskine Park Truck Trust
Erskine Park Warehouse Trust
William Angliss Drive Trust
Charles Street Property Trust
Wellington Road Property Trust
1500 Ferntree Gully Road Property Trust
6 Kingston Park Court Property Trust
3 Millennium Court Property Trust
Pope Street Property Trust
Kembla Grange Property Trust
211 Wellington Road Property Trust
Building C, 211 Wellington Road Property Trust
255 London Circuit Trust
75 Dorcas Street Trust
Growthpoint Metro Office Fund
Growthpoint Developments Pty Ltd
Kewlink East Trust (i)

(i) Indicates entities established or purchased during the financial year ended 30 June 2018.

Notes to the Financial Statements continued

4.7 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2018 the parent of the Group was Growthpoint Properties Australia Trust.

	2018	2017
	$'000	*$'000*
Result of the parent entity		
Profit for the period	**358,762**	279,324
Other comprehensive expense	**(148,432)**	(140,077)
Total comprehensive income for the period	**210,330**	139,247
Financial position of the parent entity at year end		
Current assets	**86,322**	128,649
Total assets	**3,456,619**	3,308,924
Current liabilities	**159,547**	164,530
Total liabilities	**1,363,995**	1,470,229
Net assets	**2,092,624**	1,838,695
Total equity of the parent entity comprising:		
Contributed equity	**1,639,014**	1,595,415
Retained profits/ (losses)	**453,610**	243,280
Total equity	**2,092,624**	1,838,695

The contractual obligations of the parent entity are identical to those disclosed on Note 2.2

4.8 Remuneration of auditors

During the year to 30 June 2018 the following fees were paid or payable for services provided by the auditor of the Group:

	2018	2017
	$	*$*
Audit services - KPMG		
Audit and review of financial statements	**140,966**	124,522
Other regulatory audit services	**59,410**	58,728
Non-audit services - KPMG		
Other assurance and due diligence services	**9,000**	9,600
	209,376	192,850

4.9 Subsequent events

On 18 July 2018, the Group announced that the issue price for securities to be issued under the DRP for the distribution to be paid on or around 31 August 2018 will be $3.58 per stapled security.

Approximately 72.5% of Growthpoint's distribution payable on or around 31 August 2018 will be issued as new stapled securities under the DRP, raising, after allowing for withholding tax, $46.7 million for the issue of 13.0 million new stapled securities. Total stapled securities on issue following the DRP will be approximately 688.4 million.

On 18 July 2018, the Group announced that it had entered into a put and call option to acquire 836 Wellington Road, West Perth, WA. The acquisition is scheduled to settle in October 2018 for a purchase price of $91,325,000.

Other than noted above, there has not arisen a transaction or event of an unusual nature likely to affect significantly the operations of the business, the results of those operations or the state of affairs of the entity in future financial years from the end of the interim period to the date of this report.

Directors' declaration

In the opinion of the Directors:

(a) the attached Financial Statements and notes, and the Remuneration Report in the Directors' Report set out on pages 36 to 95 are in accordance with the *Corporations Act 2001* (Cth), including:

 (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

 (ii) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1; and

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2018.

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

T.J. Collyer.

Timothy Collyer
Managing Director
Growthpoint Properties Australia Limited

Melbourne, 16 August 2018

Auditor's Independence declaration

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust for the financial year ended 30 June 2018 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dean Waters
Partner

Melbourne

16 August 2018

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Liability limited by a scheme approved under Professional Standards Legislation.

Independent Auditor's report

Independent Auditor's Report

To the stapled security holders of Growthpoint Properties Australia

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Growthpoint Properties Australia (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2018
- Consolidated statement of profit or loss and other comprehensive income consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Stapled Group*** consists of Growthpoint Properties Australia Trust and the entities it controlled at the year-end or from time to time during the financial year and Growthpoint Properties Australia Limited.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 are independent of the Stapled Group, Growthpoint Properties Australia Trust and Growthpoint Properties Australia Limited (the Responsible Entity) in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified for the Stapled Group are:

- Valuation of investment properties
- Recognition of rental income and straight line-adjustment to property revenue

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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KPMG

Valuation of Investment Properties ($3,292 million)	
Refer to Note 2.2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of the Stapled Group's investment property portfolio, given it represents the majority of the total assets of the Stapled Group and requires significant judgement by us, is a key audit matter. The Stapled Group has $3.3 billion of investment properties, which constitutes 95.2% of the Group's total assets as at 30 June 2018. The fair value of the investment properties was assessed by the Board of Directors based on a combination of external valuations conducted by Jones Lang LaSalle, Savills, Collier, Urbis, Knight Frank, m3property, and CBRE and internally prepared valuations. An external valuation is obtained for each property each year. The Stapled Group determines a property's value within a range of reasonable fair value estimates and, in making that assessment, considers information from a variety of sources including: • Current prices for comparable investment properties, as adjusted to reflect differences for location, building quality, tenancy profile and other factors. • Discounted cash flow projections based on estimates of future cash flows. • Capitalised income projections based upon a property's estimated net market income, and a capitalisation rate derived from analysis of market evidence.	Our procedures included: • Examining the valuations prepared by the external property valuers to evaluate the appropriateness of the valuation methodologies and assumptions used in accordance with industry practice and the accounting standards; • Assessing the scope, competence and objectivity of the external valuers engaged by the Stapled Group; • Checking a sample of internal and external valuations of the Stapled Group to published reports of industry commentators for comparable investment properties; • Checking a sample of internal and external valuer's assumptions and data by comparing key inputs to discounted cash flow projections, such as discount rate and capitalisation rate, to published reports of industry commentators. We also tested, on a sample basis, other key inputs to the valuations, such as, gross rent, occupancy rate, lease term remaining and lease commitments, for consistency to existing lease contracts or published statistics; • Checking property acquisitions and disposals to signed contracts; and • Considering the Stapled Group's disclosures in relation to the use of estimates and judgements regarding the fair value of investment properties and the Stapled Group's valuation policies adopted and fair value disclosures for compliance with the Australian Accounting Standards.

Independent Auditor's report continued

Recognition of Rental Income ($254.2m) and straight-line adjustment to property revenue ($5.6m)	
Refer to Note 2.1 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
During the course of the year, the Stapled Group enters into new lease contracts with existing tenants or through investment property acquisitions. The revenue generated from all lease contracts constitutes 55.8% of net investment income. Accounting recognition of rental income and straight line adjustment to property revenue is a key audit matter given rental income represents a significant portion of net investment income and the volume of new and amended leases results in additional audit effort around the straight line adjustment to property revenue. Revenue from investment properties is recognised on a straight-line basis over the life of the lease for leases where the revenue under the lease terms is fixed and determinable. For leases where the revenue is determined with reference to market reviews, inflationary measures or other variables, revenue is not straight-lined and is recognised in accordance with the lease terms applicable for the period.	Our procedures included: • Checking a sample of rental income for leases subject to market reviews, to the original signed lease contract with the terms associated to the market reviews, and documentation between the parties of the revised market rates; • For new, cancelled or variations to leases, we checked the lease terms to the Stapled Group's straight line schedule used to recognise revenue on a straight line basis; • Performing a recalculation of the straight line adjustment to property revenue by using the fixed revenue over the lease term from the new or amended lease terms from the signed lease contract and comparing this to the Stapled Group's straight line schedule; and • Created an expectation to compare to actual revenue reported by management by applying the weighted average annual rent increase to the office and the industrial base rent balances for FY17 and adjusting for changes in tenancy to arrive at an expected revenue balance for the year ended.

Other Information

Other Information is financial and non-financial information in Growthpoint Properties Australia's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

KPMG

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled 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 objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this 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/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report of Growthpoint Properties Australia Limited

The information below is a reproduction of our opinion on the Remuneration Report of Growthpoint Properties Australia Limited (the Company) as the Responsible Entity of Growthpoint Properties Australia Trust.

Opinion

In our opinion, the Remuneration Report of Growthpoint Properties Australia Limited for the year ended 30 June 2018, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of Growthpoint Properties Australia Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 37 to 52 of the Directors' Report for the year ended 30 June 2018.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Dean Waters
Partner

Melbourne
16 August 2018

Additional information

FY18 Portfolio information

Office Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			$'000		*%*	*%*		*years*	*sqm*	*sqm*
75 Dorcas St	South Melbourne	VIC	190,000	Urbis	5.8	7.0	ANZ Banking Group	3.4	23,811	9,632
109 Burwood Rd	Hawthorn	VIC	106,000	JLL	5.8	6.8	Orora	5.9	12,388	3,529
Bldg 2, 572-576 Swan St	Richmond	VIC	90,600	CBRE	5.3	6.8	Country Road Group	14.0	14,602	8,459
Bldg B, 211 Wellington Rd	Mulgrave	VIC	74,000	Directors	6.8	7.0	Monash University	2.5	12,780	11,040
Bldg 1, 572-576 Swan St	Richmond	VIC	59,750	Directors	5.3	6.8	Country Road Group	14.0	8,554	8,288
Bldg C, 211 Wellington Rd	Mulgrave	VIC	57,250	Directors	6.8	7.3	BMW Australia Finance	4.3	10,289	11,070
Bldg 3, 572-576 Swan St	Richmond	VIC	23,000	Directors			Development Site		1,355	8,545
Car Park, 572-576 Swan St	Richmond	VIC	1,200	CBRE	14.4	–	Country Road Group	8.9	–	3,756
15 Green Square Cl	Fortitude Valley	QLD	144,000	Urbis	6.0	7.0	Queensland Urban Utilities	3.7	16,442	2,519
333 Ann St	Brisbane	QLD	130,000	CBRE	6.0	7.3	Federation University	4.6	16,320	1,563
CB1, 22 Cordelia St	South Brisbane	QLD	104,500	Colliers	6.1	7.0	Downer EDI Mining	4.5	11,529	5,772
A1, 32 Cordelia St	South Brisbane	QLD	84,000	Directors	6.0	7.0	Jacobs Group	6.7	10,004	2,667
A4, 52 Merivale St	South Brisbane	QLD	82,500	Colliers	6.0	7.0	University of the Sunshine Coast	4.6	9,405	2,331
CB2, 42 Merivale St	South Brisbane	QLD	60,000	Directors	6.0	7.0	Peabody Energy	6.6	6,598	3,158
Car Park, 32 Cordelia St & 52 Merivale St	South Brisbane	QLD	27,000	Directors	6.0	7.3	Secure Parking	1.4	–	9,319
33-39 Richmond Rd	Keswick	SA	62,000	JLL	7.5	8.0	Coffey Corporate	5.1	11,835	4,169
7 Laffer Dr	Bedford Park	SA	20,000	Directors	7.5	8.0	Westpac Banking Corporation	7.1	6,343	33,090
1 Charles St	Parramatta	NSW	310,000	Directors	5.8	7.0	NSW Police	5.9	32,356	6,460
Bldg C, 219-247 Pacific Hwy	Artarmon	NSW	123,500	Directors	6.0	7.0	Fox Sports	4.8	14,375	4,212
3 Murray Rose Ave	Sydney Olympic Park	NSW	101,000	Savills	6.2	7.0	Samsung	3.7	13,423	3,980
5 Murray Rose Ave	Sydney Olympic Park	NSW	100,500	Directors	6.0	7.0	Lion	5.8	12,386	3,826
102 Bennelong Pkwy	Sydney Olympic Park	NSW	32,500	m3property	6.3	7.0	Alstom Australia	1.3	5,244	6,635
6 Parkview Dr	Sydney Olympic Park	NSW	31,750	m3property	6.3	7.0	Universities Admissions Centre	3.2	5,145	7,788
89 Cambridge Park Dr	Cambridge	TAS	26,700	Directors	8.3	9.0	Hydro Tasmania Consulting	5.8	6,876	28,080
10-12 Mort St	Canberra	ACT	93,500	KF	6.4	7.0	Commonwealth of Australia	6.7	15,398	3,064
255 London Cct	Canberra	ACT	74,000	Directors	5.8	7.0	Commonwealth of Australia	9.2	8,972	2,945
Total / Weighted Average			**2,209,250**		**6.0**	**7.1**		**5.5**	**286,430**	**194,625**

Industrial Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			$'000		*%*	*%*		*years*	*sqm*	*sqm*
120 Northcorp Blvd	Broadmeadows	VIC	77,400	Urbis	6.5	7.3	Woolworths	3.1	58,320	250,000
1500 Ferntree Gully Rd & 8 Henderson Rd	Knoxfield	VIC	44,000	m3property	6.0	7.3	Brown & Watson International	7.4	22,009	40,844
40 Annandale Rd	Melbourne Airport	VIC	34,800	Urbis	8.0	7.3	Australian Postal Corporation	6.0	44,424	75,325
9-11 Drake Blvd	Altona	VIC	34,500	Directors	6.3	7.3	Peter Stevens Motorcycles	4.6	25,743	41,730
120-132 Atlantic Dr	Keysborough	VIC	25,250	Directors	5.8	6.8	Symbion	10.5	12,864	26,181
130 Sharps Rd	Melbourne Airport	VIC	25,100	Directors	8.3	7.3	Laminex Group	4.0	28,100	47,446
Lots 2, 3 & 4, 44-54 Raglan St	Preston	VIC	24,500	Directors	7.0	7.3	Paper Australia	1.2	26,980	42,280
120 Link Rd	Melbourne Airport	VIC	17,000	Directors	8.3	7.3	The Workwear Group	9.0	26,517	51,434
20 Southern Crt	Keysborough	VIC	15,800	Colliers	6.3	7.0	Sales Force National	4.5	11,430	19,210
6 Kingston Park Crt	Knoxfield	VIC	12,300	m3property	6.5	7.3	NGK Spark Plug	3.9	7,645	12,795
60 Annandale Rd	Melbourne Airport	VIC	11,700	m3property	8.3	7.3	Garden City Planters	9.9	16,276	34,726
3 Millennium Crt	Knoxfield	VIC	11,500	Directors	6.5	7.0	Orora	2.7	8,040	14,750
31 Garden St	Kilsyth	VIC	11,200	Directors	6.5	7.3	Cummins Filtration	5.4	8,919	17,610
101-111 South Centre Rd	Melbourne Airport	VIC	8,800	Directors	7.8	7.3	Direct Couriers	9.4	14,082	24,799
19 Southern Crt	Keysborough	VIC	8,100	Colliers	6.5	7.5	Transms	0.8	6,455	11,650
75 Annandale Rd	Melbourne Airport	VIC	7,650	m3property	8.0	7.3	Neovia Logistics Services	1.3	10,280	16,930
70 Distribution St	Larapinta	QLD	220,000	Directors	6.8	7.0	Woolworths	3.7	76,109	250,900
13 Business St	Yatala	QLD	13,750	Directors	6.8	7.3	Reward Supply Co.	1.2	8,951	18,630
5 Viola Pl	Brisbane Airport	QLD	8,700	Directors	7.5	7.8	CEVA Logistics	1.7	14,726	35,166
3 Viola Pl	Brisbane Airport	QLD	2,450	Directors	7.5	7.5	Cargo Transport Systems	4.7	3,431	12,483
20 Colquhoun Rd	Perth Airport	WA	163,750	Directors	6.1	7.0	Woolworths	7.3	80,374	193,936
Hugh Edwards Dr & Tarlton Cr	Perth Airport	WA	47,900	JLL	7.7	8.2	Mainfreight	6.3	31,965	57,617
27-49 Lenore Dr	Erskine Park	NSW	68,750	CBRE	5.8	7.0	Linfox	5.2	29,476	76,490
6-7 John Morphett Pl	Erskine Park	NSW	46,500	Directors	6.3	7.3	Linfox	1.8	24,881	82,280
51-65 Lenore Dr	Erskine Park	NSW	34,500	Directors	5.8	7.3	Linfox	9.7	3,720	36,720
34 Reddalls Rd	Kembla Grange	NSW	26,000	CBRE	6.0	7.3	Autocare Services	12.3	355	141,100
81 Derby St	Silverwater	NSW	18,500	Directors	6.0	7.0	IVE Group Australia	4.2	7,984	13,490
599 Main North Rd	Gepps Cross	SA	79,000	Directors	6.8	7.3	Woolworths	3.1	67,238	233,500
1-3 Pope Crt	Beverley	SA	22,500	Savills	7.5	8.0	Aluminium Specialties Group	2.9	14,459	25,660
12-16 Butler Blvd	Adelaide Airport	SA	15,800	Directors	8.8	8.0	Cheap as Chips	2.4	16,800	30,621
10 Butler Blvd	Adelaide Airport	SA	9,100	Directors	8.4	7.8	Toll Transport	3.6	8,461	16,100
Total / Weighted Average			**1,146,800**		**6.6**	**7.2**		**4.9**	**717,014**	**1,952,403**

Oxford Corner, Rosebank, Johannesburg

Additional information

About Growthpoint South Africa[1]

Growthpoint Properties Limited of South Africa ("GRT") owns 65.5% of the securities of Growthpoint (at 30 June 2018) and is its major Securityholder.

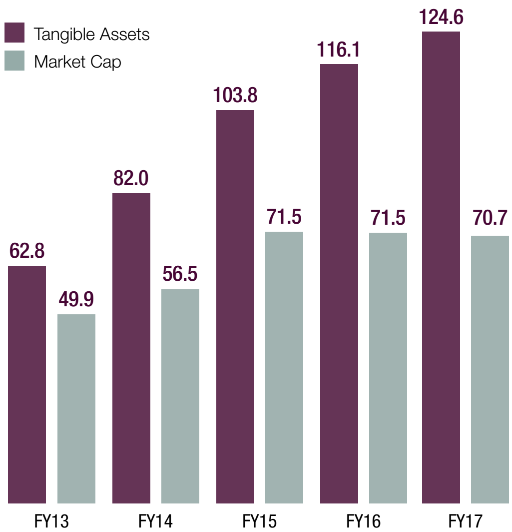
Other information about GRT

- Included in the JSE Top 40 Index
- Top ten constituent of FTSE EPRA / NAREIT Emerging Index
- Included in the FTSE/JSE Responsible Investment Index, FTSE4Good Index and the Dow Jones Sustainability Index
- Underpinned by high-quality, physical property assets, diversified across sectors (Retail, Office and Industrial)
- 15-year track record of uninterrupted dividend growth
- Sustainable quality of earnings that can be projected with a high degree of accuracy
- Well capitalised and conservatively geared
- Good corporate governance with transparent reporting
- Proven management track record
- Recipient of multiple sustainability, governance and reporting awards
- Baa3 global scale rating from Moody's

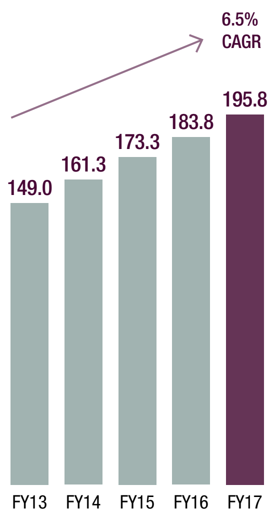
As of 31 December 2017 Growthpoint represents:

- 24.5% of GRT's gross property assets
- 23.1% of GRT's net property income
- 14.2% of GRT's total distributable income

Growth in tangible assets and market capitalisation (Rbn)
as at 31 December 2017



Growth in distributions (R¢)
per share,
as at 31 December 2017



Key Facts (as at 31 December 2017)[1]

Listing	GRT is listed on the Johannesburg Stock Exchange (JSE)
Ranking on the JSE	21 by market capitalisation
Closing exchange rate used	AUD:ZAR=9.66
Market capitalisation	R80.4 / AUD8.3B
Gross assets	R127.7B / AUD13.2B
Net assets	R96.0B / AUD10.0B
Gearing (SA only)	33.8%
Distributable Income	R2.9B/ AUD282m (for the 6 month period using an average exchange rate of R10.45 / AUD)
ICR (SA only)	3.4 times
No. of employees (SA only)	620
Properties	463 properties in South Africa, including 50% ownership of the prestigious V&A Waterfront. 39 Properties in Eastern Europe, 19 in Romania and 20 in Poland, through its 29% holding of AIM listed Globalworth Real Estate Investments Ltd

1. All information supplied by GRT (figures as at 31 December 2017).

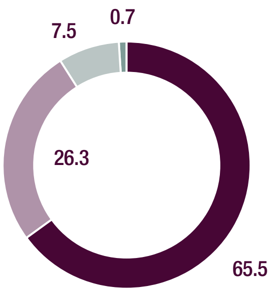
15 Green Square Close, Fortitude Valley, QLD

Additional information

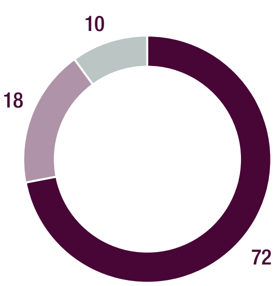
Securityholders

Dan Colman
Investor Relations Manager

Growthpoint Securityholders* (%)
as at 18 July 2018



Location of Growthpoint Securityholders* (%)
as at 18 July 2018



* Figures are approximate and based on beneficial ownership.

Top 20 Legal Securityholders as at 18 July 2018

Rank	Name	No. of Securities	% of Securities
1.	GROWTHPOINT PROPERTIES LIMITED	442,693,457	**65.55**
2.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	58,594,535	**8.68**
3.	J P MORGAN NOMINEES AUSTRALIA LIMITED	35,060,627	**5.19**
4.	EMIRA PROPERTY FUND	26,058,566	**3.86**
5.	CITICORP NOMINEES PTY LIMITED	25,952,261	**3.84**
6.	NATIONAL NOMINEES LIMITED	17,699,481	**2.62**
7.	BNP PARIBAS NOMS PTY LTD <DRP>	6,631,947	**0.98**
8.	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	4,344,441	**0.64**
9.	SHARON INVESTMENTS PTY LTD	2,252,000	**0.33**
10.	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,250,655	**0.33**
11.	RABINOV HOLDINGS PTY LTD	2,000,000	**0.30**
12.	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	1,101,701	**0.16**
13.	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	922,279	**0.14**
14.	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	891,996	**0.13**
15.	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	779,420	**0.12**
16.	BNP PARIBAS NOMS (NZ) LTD <DRP>	754,968	**0.11**
17.	MR MAX KARL KOEP	745,000	**0.11**
18.	JONAERE PTY LTD <JDM LEGACY A/C>	680,000	**0.10**
19.	BOND STREET CUSTODIANS LIMITED <ENH PROPERTY SECURITIES A/C>	607,427	**0.09**
20.	MS KYLIE MAREE CECILIA THOMAS	594,205	**0.09**
		630,614,966	**93.37**
		44,769,402	**6.63**

Distribution of Securityholders as at 18 July 2018

There is currently only one class of Growthpoint securities, being ordinary securities, and there are no securities currently held in escrow. All of Growthpoint's securities are quoted on the ASX and no other stock exchanges. Growthpoint does not currently have any share buy-back plans in place.

The number of Securityholders holding less than a marketable parcel of 138 securities (based on the 18 July 2018 closing price of $3.64) is 256 and they hold 2,795 Growthpoint securities. In accordance with the ASX Listing Rules, a "marketable parcel" is "…a parcel of securities of not less than $500…"

Range	Total holders	Securities	% of Issued Capital
1 - 1,000	984	461,503	0.07
1,001 - 5,000	1,485	4,077,864	0.60
5,001 - 10,000	655	4,807,225	0.71
10,001 - 100,000	782	20,406,320	3.02
100,001 - 9,999,999,999	90	645,631,456	95.59
Rounding			0.01
Total	**3,996**	**675,384,368**	**100.00**

As at 18 July 2018, there were 675,384,368 fully-paid stapled securities held by 3,996 individual Securityholders.

Substantial holders as at 18 July 2018

Name	No. of Securities	% of issued capital
Growthpoint Properties Limited	442,693,457	**65.55**

33-39 Richmond Road, Keswick, SA

Additional information

Frequently asked questions

How do I update my contact details?

Please update your details via *Computershare*. Please note you will require your holder identification number.

How do I buy or sell Growthpoint securities?

Growthpoint securities trade on the ASX under the code 'GOZ'. To buy or sell securities directly you must transact via an ASX approved broker (including on-line brokers such as NAB, E-Trade and Commsec). More details are available at *asx.com.au/products/shares/buying-selling-shares.htm.*

Growthpoint cannot sell direct to you other than via the DRP or, in certain limited circumstances, additional equity raisings.

Why does Growthpoint outsource its registry function to Computershare?

Most ASX-listed entities outsource this function to a third party registry provider. Growthpoint does not have the scale or in-house resources (including technology) to in-source this function. Computershare is one of the largest registry providers in Australia and is included in the ASX's top 100 companies with a market capitalisation of approximately $7.0 billion. Growthpoint has chosen Computershare on the basis of its price and service offering. Growthpoint regularly considers Computershare's performance (including any complaints or feedback received from Securityholders), pricing and services versus other providers to determine if it should continue to outsource this function to Computershare.

I have lost or not received a tax statement, holding statement or report. How can I obtain a replacement?

Contact Computershare in the first instance. Details are supplied below.

Contacting Computershare

For direct holders for Growthpoint securities, most matters can be dealt with on-line at: *www-au.computershare.com/Investor/*

Note that you will require your holder identification number.

If you cannot resolve matters on-line, contact details for Computershare are:

- **Address:** Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 Australia
- **Telephone:** 1300 850 505 (within Australia) or +61(0) 3 9415 4000 (from outside of Australia)
- **Facsimile:** +61(0) 3 9473 2500
- **Email:** *webqueries@computershare.com.au*

For indirect holders, i.e. holders that hold securities via fund, custodian or other third party, you should contact that party. Computershare will only be able to assist those with holdings directly on Growthpoint's Securityholder register.

Complaints

Growthpoint Properties Australia aims to provide each Securityholder with a professional and high level of client service in managing the Stapled Group. If you have a complaint, you may contact us in writing to our registered address or by email to *complaints@growthpoint.com.au*, detailing the complaint. A response will normally be provided within 15 working days. All complaints should be addressed to the Complaints Manager.

The Responsible Entity is a member of the Financial Ombudsman Service Limited (FOS), an external, independent complaints handling organisation. FOS can be contacted on 1300 78 08 08, should your complaint not be resolved by Growthpoint Properties Australia.

How to contact us

growthpoint.com.au

1800 260 453

info@growthpoint.com.au

Connect

@Growthpoint_Aus

Growthpoint Properties Australia

Notes

2018 Securityholder Calendar*

16 August 2018

- Results for the full year ended 30 June 2018 announced to ASX

31 August 2018

- Distribution paid for the half year ending 30 June 2018
- FY18 Annual Report sent to Securityholders

18 October 2018

- Investor Update released to ASX

21 November 2018

- Annual General Meeting

* Dates indicative and subject to change by the Board.

Glossary

$ or dollar refers to Australian currency unless otherwise indicated

AFSL Australian Financial Services Licence

A-REIT Australian Real Estate Investment Trust

ASX Australian Securities Exchange

AUD Australian Dollars

bn billion

Basis points one hundredth of one percentage point (used chiefly in expressing differences of interest rates)

Board the board of directors of the Company

Cap rate or capitalisation rate refers to the market income produced by an asset divided by its value or cost

CAGR compound annual growth rate

CBD central business district

CBRE an international professional services and investment management firm formerly known as CB Richard Ellis

Company or responsible entity Growthpoint Properties Australia Limited

cps cents per security

discount rate the interest rate used in a discounted cash flow (DCF) analysis to determine the net present value of an asset's future cash flows

distributions the amount Securityholders receive by way of income in their hand (before any tax or brokerage costs). It is similar to a dividend by a company but it is payable by the Trust

dps distribution per security

Funds From Operations (FFO) refer to explanation at top of page 18

Fund-through a mechanism under which an entity (in this report typically Growthpoint) funds development as completion of works occur

FY14, FY15, FY16, FY17 and FY18 the 12 months ended on 30 June in the year listed i.e. "FY18" means the 12 months ended 30 June 2018

FY19, FY20, FY21, FY22 and FY23 the 12 months ending on 30 June in the year listed i.e. "FY19" means the 12 months ending 30 June 2019

ICR Interest coverage ratio

Gearing interest bearing liabilities less cash divided by total assets less cash

GHG greenhouse gas

GMF previously GPT Metro Office Fund which traded on the ASX as GMF (renamed Growthpoint Metro Office Fund)

GOZ the ASX trading code that Growthpoint trades under.

Green Star an internationally recognised sustainability rating system issued by the Green Building Council in Australia

GRESB Global Real Estate Sustainability Benchmark

GRI Global Reporting Initiative. Further information can be found on page 62 of the 2018 Sustainability Report.

gross assets the total value of assets

Growthpoint or the Group Growthpoint Properties Australia comprising the Company, the Trust and its controlled entities

Growthpoint SA or GRT Growthpoint Properties Limited of South Africa (Growthpoint's majority Securityholder) which trades on the JSE under the code "GRT"

IDR Industria REIT

IFRS International Financial Reporting Standards

JLL the Australian arm of Jones Lang LaSalle, an international professional services and investment management firm

JSE Johannesburg Stock Exchange

kW kilowatt

LTI long-term incentive

m million

MW Megawatt Unit of power equal to one million watts

NABERS National Australian Built Environment Rating System (a national system for measuring environmental performance of buildings)

NGER National Greenhouse and Energy Reporting

NLA net lettable area

NPI net property income

NTA net tangible assets

Operational Control operational control is defined as having the ability to introduce and implement operating, health & safety or environmental policies and measures for a facility. This is based on the approach for defining controlling corporations, as outlined in NGER legislative framework.

PwC the professional services firm previously known as PriceWaterhouseCoopers

Return on equity or ROE calculated as the percentage change in NTA plus the distribution for a given period divided by the opening NTA

REIT real estate investment trust

Securityholder an owner of Growthpoint securities

S&P Standard & Poor's

sqm square metres

STI short-term incentive

sustainability a process for ensuring activities are able to be continued and assets and resources are able to endure for a medium-long-term

Syndicated Facility syndicated loan facility from CBA, NAB, WBC and ANZ to Growthpoint

TFR total fixed remuneration

tCO2-e Tonnes of carbon dioxide equivalents. The universal unit of measurement to indicate the global warming potential of greenhouse gases

Total Securityholder return change in security price plus distributions paid or payable for the relevant period

TPD total and permanent disability

Trust Growthpoint Properties Australia Trust

USPP United States Private Placement

WADM weighted average debt maturity

WALE weighted average lease expiry

WARR weighted average rent review

Contact details

Retail Investors:

Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne VIC 3001 Australia

Phone (within Australia): 1300 850 505
Phone (outside Australia): +61 (0)3 9415 4000
Fax: +61 (0)3 9473 2500
Email: webqueries@computershare.com.au

Institutional Investors:

Daniel Colman – Investor Relations Manager
Pooja Shetty – Investor Relations Administrator

Email: info@growthpoint.com.au
Investor Services Line: 1800 260 453

www.growthpoint.com.au

Corporate directory

Growthpoint Properties Australia Limited
ABN 33 124 093 901; AFSL No 316409

Growthpoint Properties Australia Trust
ARSN 120 121 002

Registered Office

Level 31, 35 Collins Street,
Melbourne VIC 3000 Australia

Phone: (03) 8681 2900
Fax: (03) 8681 2910

www.growthpoint.com.au

Directors

Geoffrey Tomlinson, Timothy Collyer, Maxine Brenner, Estienne de Klerk, Grant Jackson, Francois Marais, Norbert Sasse, Josephine Sukkar

Company Secretaries

Aaron Hockly[1], Dion Andrews, Yien Hong

Auditor
KPMG

Tower 2, 727 Collins Street
Melbourne VIC 3008 Australia

ASX Code

Growthpoint Properties Australia securities are listed on the Australian Securities Exchange (Code GOZ).

1. Aaron Hockly is on parental leave and will return in April 2019.

Growthpoint Properties Australia **2018 Annual Report**

2018 Annual Report

Growthpoint Properties Australia
Level 31, 35 Collins Street, Melbourne VIC Australia
Investor Services Line: 1800 260 453

www.growthpoint.com.au

GROWTHPOINT PROPERTIES