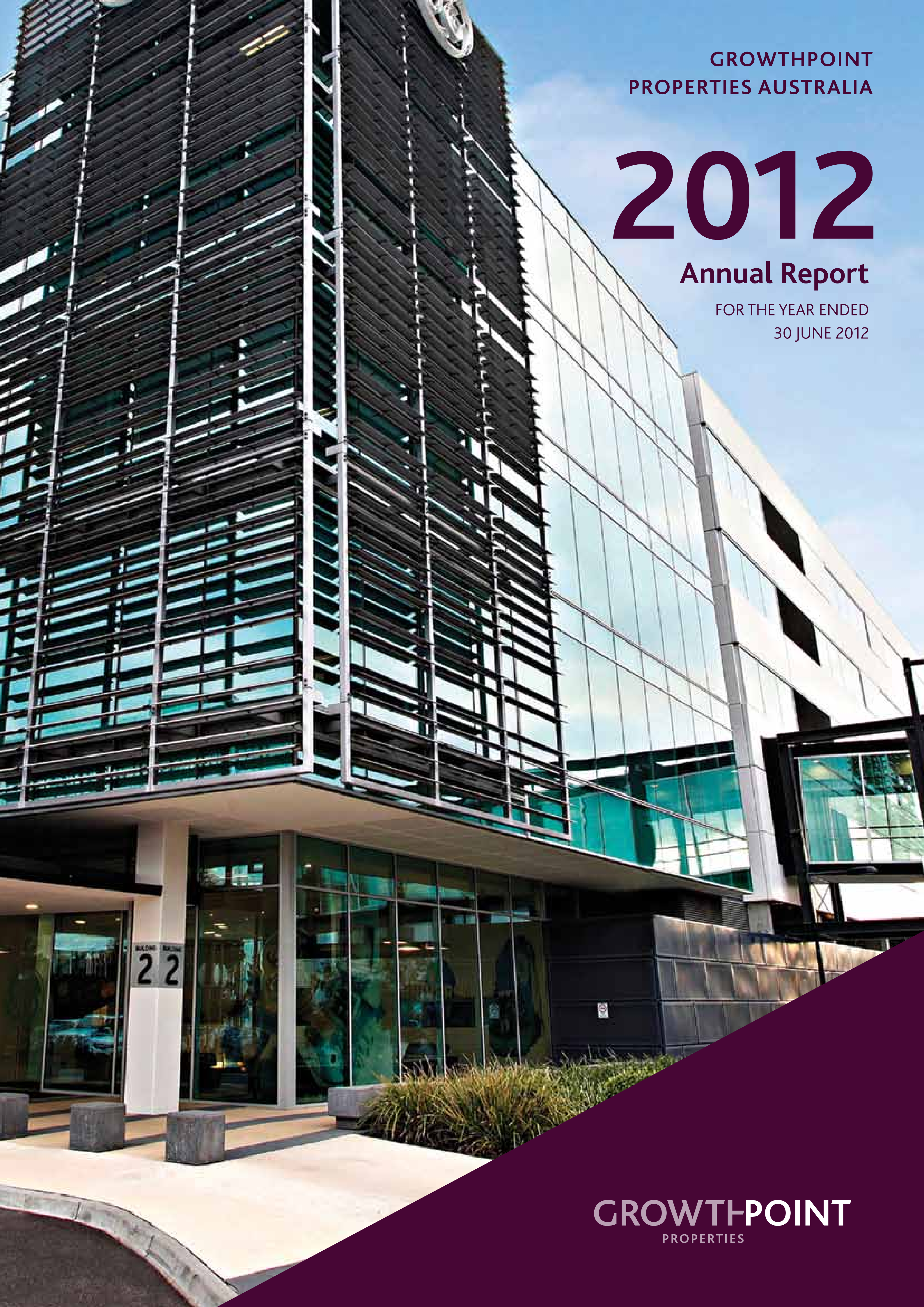
GROWTHPOINT PROPERTIES AUSTRALIA

2012 Annual Report

FOR THE YEAR ENDED 30 JUNE 2012



GROWTHPOINT PROPERTIES

Contents

THIS REPORT AND ITS SCOPE

This Growthpoint Properties Australia 2012 Annual Report provides an overview of our operations, including financial and non-financial performance, for the year ended 30 June 2012.

◄ SUSTAINABLE DEVELOPMENT

WORLDPARK:01, 33-39 RICHMOND, KESWICK, SA is the first building of a visionary development on Adelaide's city fringe which incorporates the latest in green building technology. It offers tenants a unique opportunity to be part of an environment that will nurture their employees' wellbeing.

About Growthpoint Properties Australia

- Growthpoint Properties Australia owns a portfolio of 41 properties*, geographically diversified within Australia.
- Growthpoint Properties Australia has a pure Australian property investment focus, with no offshore assets.
- The Group's property portfolio has 99% occupancy.
- Growthpoint Properties Australia has no debt maturing until December 2014 with 94% of interest rates on drawn down debt hedged for an average duration of 3.9 years.

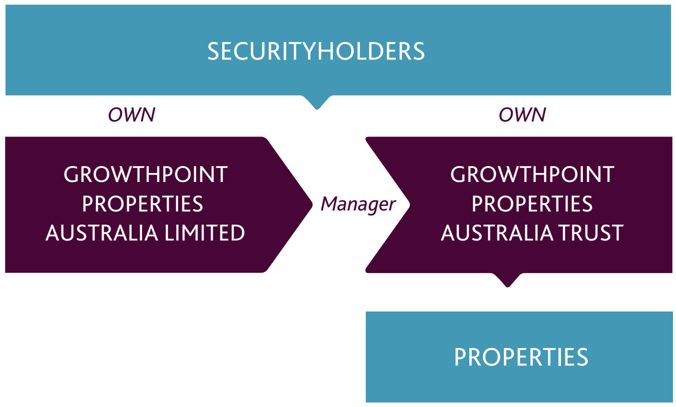
Growthpoint Properties Australia (also referred to in this report as "the Group") is an ASX listed real estate investment trust or A-REIT (ASX Code: GOZ), with a mandate to invest in Australian property in the industrial, office and retail sectors.

Our philosophy is to be a ***pure landlord***.

The **objective** of the Group is to provide investors with a tradeable security ***producing consistently growing income returns*** and ***long-term capital appreciation***.

*Includes the properties currently under development in Nundah, Queensland and Artarmon, New South Wales.

Stapled Group Structure



The Group has a stapled entity structure, with internalised management, comprising Growthpoint Properties Australia Limited (the Responsible Entity) and Growthpoint Properties Australia Trust.

MILESTONES

2007

JULY
Orchard Industrial Property Fund listed on the ASX.

2008

APRIL
Quarterly distribution: 2.025¢.

AUGUST
Quarterly distribution: 2.025¢.

OCTOBER
Quarterly distribution: 1.25¢.

2009

JANUARY
Quarterly distribution: 1.25¢.

JULY
Growthpoint Properties of South Africa takes majority stake in Orchard Industrial Property Fund.

AUGUST
HY distribution: 0.75¢.

SEPTEMBER
Restructure and recapitalisation of fund renamed Growthpoint Properties Australia. Management internalised and LVR reduced to sustainable levels.

Market capitalisation: $256m.

2010

FEBRUARY
Purchase of Coles Regional Distribution Centre in Goulburn, New South Wales for $65.5 million.

Property portfolio: $744m.

HY distribution: 5.5¢.

AUGUST
HY distribution: 8.5¢.

SEPTEMBER
Purchase of four industrial and three office properties in South Brisbane, Queensland for $171.5m.

Property portfolio: $930m (14% office, 86% industrial).

$101m Rights Offer completed.

Market capitalisation: $400m.

DECEMBER
Purchase of Worldpark:01 in Keswick, South Australia for $46.5m.

Property portfolio: $991.5m.

2011

FEBRUARY
HY distribution: 8.4¢ GOZ, 4.52¢ GOZNA

JULY
$102.6m Rights Offer completed.

Market capitalisation: $550m.

AUGUST
Takeover of the Rabinov Property Trust completed.

Market capitalisation: $457m. **Property portfolio:** $1.2b.

Purchase of land in Nundah, Queensland for $8.4m, which is being developed into an $82.5m office building.

HY distribution: 8.7¢.

2012

JANUARY
$166.4 million Rights Offer completed.

Market capitalisation: $721m.

FEBRUARY
Purchase of two office buildings in South Brisbane and one office building in Brisbane, Queensland for $207m.

Property portfolio: $1.5b*.

HY distribution: 8.7¢ GOZ, 7.5¢ GOZN.

MARCH
Purchase of Building C, Gore Hill Technology Park, Artarmon, New South Wales. Cost of land and development payments $82.7m.

JULY
Agreed to purchase two interconnected office buildings in Canberra, Australian Capital Territory for $55.8m.

Property portfolio: $1.6b*.

AUGUST
HY distribution: 8.9¢ GOZ, 7.6¢ GOZNA.

*Includes properties under development.

2013

FEBRUARY
Forecast HY distribution for Dec 2012: 9.0¢.

AUGUST
Forecast HY distribution for June 2013: 9.3¢.

Chairman's Letter

- **Distribution of 18.3 cents per stapled security expected for FY 2013[1].**
- **The assets of the Group have increased to over $1.6 billion[2] with the purchase of six well located commercial buildings during the year.**
- **GOZ has traded in excess of Net Tangible Assets for most of the second half of the year in review.**

The 2011/2012 financial year is the third year of earnings and distribution growth for securityholders. This achievement demonstrates the consistency and predictably of this investment since Growthpoint Properties Australia was restructured and recapitalised in late 2009.

Our predictable and growing income stream is primarily the result of owning well located commercial buildings in Australia with long leases to strong tenants. We continue to see this as a sound business plan and have been encouraged by increasing demand for securities in Growthpoint Properties Australia.

The table to the side sets out the distributions achieved over the last three years and the graph shows total securityholder returns achieved over this period. We expect distributions to continue to grow and are forecasting a distribution of 18.3 cents per stapled security for the 2012/2013 financial year.

The support of our securityholders has been outstanding and we have traded in excess of our Net Tangible Assets per stapled security for most of the second half of the year in review.

Our management team, led by our Managing Director Timothy Collyer, has again delivered growth and returns. The property assets of the Group have increased to in excess of $1.6 billion[2] with the purchase of six well located commercial buildings during the year.

During the year, we farewelled David Spruell from the board. David had been a director of Growthpoint Properties Australia Limited (and the predecessor responsible entity) since the listing of what is now Growthpoint Properties Australia. He served for that time as Chairman of our Audit and Risk Committee and made a significant contribution to the Group. We also welcomed our first female director, Maxine Brenner. Maxine was appointed Chair of our Audit and Risk Committee and I am confident that her expertise and experience will continue David's high standards.

With the cost of borrowing decreasing, and buildings that comply with our rigorous tests of location and tenant quality expected to become more available, we look forward to the next twelve months with optimism.

The "sweet spots" in the property market come irregularly and it is important to understand the opportunities and take advantage when they occur. I am confident that, through the expertise of our board and management and leveraging our quality asset base, we are well placed for the future.

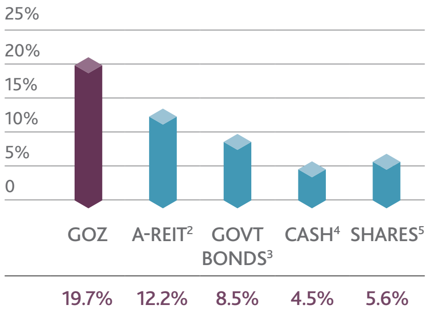
Lyn Shaddock
Independent Chairman

Our predictable and growing income stream is primarily the result of owning well located commercial buildings in Australia with long leases to strong tenants.

IMPROVING PERFORMANCE
(as at 30 June for each year)

	FY10	FY11	FY12
Book Value	$757m	$1.2b	$1.6b[2]
Properties	25	37	41[4]
Distributions	14.0¢	17.1¢[3]	17.6¢[5]

TOTAL RETURN COMPARISON 3 YEARS TO 30 JUNE 2012[1]



1. Source: UBS Investment Research. 2. S&P/ASX 300 Prop Acc. Index. 3. UBS Govt Bond Index - all maturities. 4. UBS Bank Bill Index. 5. S&P/ASX 300 Acc. Index.

Lyn Shaddock / **Independent Chairman, Chairman - Compliance Committee**

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1. Distribution guidance only.
2. Book value at 30 June 2012 plus properties contracted to purchase at their purchase price and properties in development at their independent value on completion.
3. Holders of "GOZNA" securities issued as part of the 2010 rights offer received a pro-rated distribution based on the date of issue of these securities.
4. Includes properties under development and properties contracted to purchase at 30 June 2012.
5. Holders of "GOZN" securities issued as part of the 2011 rights offer and holders of "GOZNA" securities issued as part of the 2012 rights offer received a pro-rated distribution based on the date of issue of these securities.

▲ QUALITY TENANTS

GE BUILDING 2, 572-576 SWAN STREET, VIC A modern 4 level office building leased to GE Capital Finance Australasia Pty Ltd a division of GE. The parent company is listed on NYSE:GE, with a market capitalisation of approximately US$200 billion.

Managing Director's Report

› **Over the 12 months ended 30 June 2012 ("FY 2012"), Growthpoint Properties Australia has further expanded into the office sector, increased distributions, lowered the average cost of debt, secured a longer debt facility tenor and retained its high property portfolio occupancy of 99% and long weighted average lease expiry of over 7 years.**

HIGHLIGHTS FOR FY 2012

The key achievements for FY 2012 are detailed in the Directors' Report on pages 53-54 of this Annual Report. I would like to draw readers' attention to the following in particular:

- The Group recorded a 14.1% increase in statutory after-tax profit (including fair value movements in investment properties and financial derivatives) and a 58.5% increase in distributable profit from the year ended 30 June 2011 ("**FY 2011**").
- The full year distribution for "GOZ" securities was 17.6 cents per stapled security[1] compared to 17.1 cents in FY 2011, a 2.9% increase.
- The total return (distributions plus security price appreciation) for the Group was 21.6% for FY 2012 and 19.7% for the three years to 30 June 2012, outperforming the S&P/ASX 300 Property Accumulation Index which returned 11.0 % and 12.2% over these periods[2].
- There has been a 78.7% increase in the Group's market capitalisation over FY 2012, through securities issued and security price appreciation, taking the ASX market capitalisation from $446 million on 30 June 2011 to $797 million on 30 June 2012.
- $346.2 million[3] of property was purchased during FY 2012 (further details below) providing an average initial yield of 8.9% per annum. Due to these acquisitions, work at two of the Group's properties which are currently being developed and a $30.1 million increase in aggregate property valuations, the value of the property portfolio increased from $1.2 billion as at 30 June 2011 to $1.6 billion[4] at 30 June 2012.
- The Group reduced its Management Expense Ratio or "MER" from 0.44% for FY 2011 to 0.41% for FY 2012 largely reflecting its increased asset base.
- The Group entered into new leases with existing tenants The Laminex Group (a subsidiary of NZSE and ASX listed Fletcher Building), Willow Ware and 1300TempFence with rental increases under each lease.
- The Group expanded its syndicated debt facility with National Australia Bank ("**NAB**"), Westpac Banking Corporation ("**Westpac**") and Australia and New Zealand Banking Group ("**ANZ**") to $825 million and entered into a new $70 million debt facility with NAB maturing in April 2016 secured by the Group's properties in Artarmon, New South Wales and Keswick, South Australia. Maturity dates for these facilities are set out below:

MATURITY DATE	MATURITY AMOUNT
31 December 2014*	$255 million
31 December 2015*	$255 million
30 April 2016^	$70 million
31 December 2016*	$315 million
TOTAL DEBT	**$895 MILLION**

*= Syndicated Facility ^= NAB Facility

- A new Distribution Reinvestment Plan ("DRP") has been established and was in operation for the distribution paid on 31 August 2012. The DRP gives securityholders a way to increase their securityholding in the Group by reinvesting all or part of their distribution entitlement in additional stapled securities. The DRP price for the August distribution was $2.02 per stapled security, offering an attractive yield of 9.06% on current year distribution guidance.

By continuing its steady growth and providing a stable and growing distribution yield, Growthpoint Properties Australia has further established itself as a consistent, income producing investment despite turbulent financial markets.

Timothy Collyer / **Managing Director**

1. Holders of "GOZN" and "GOZNA" received a pro-rated distribution reflecting the period these securities were on issue.
2. Source: UBS Investment Research
3. Excluding transaction costs.
4. Book value at 30 June 2012 plus properties contracted to purchase at their purchase price and properties in development at their independent value on completion.

PROPERTY PORTFOLIO UPDATE

The Group's property portfolio provides securityholders with long term rental income from quality tenants. Key achievements for FY 2012 were:

- **99% PORTFOLIO OCCUPANCY AND RETENTION OF KEY TENANTS:** Since 30 June 2010, the portfolio has enjoyed 99-100% occupancy. The Group has only three leases due for expiry in the year ending 30 June 2013 representing 1.2% of the Group's annual rental income.
- **LONG WALE:** The weighted average lease expiry for the portfolio was approximately 7.2 years as at 30 June 2012. 68.7% of the Group's leases (by revenue) expire in or after the 2018 financial year.
- **NO ARREARS:** As at 30 June 2012, the Group had no significant arrears.
- **CAPITAL EXPENDITURE:** During FY 2012, approximately $3.6 million was spent on capital expenditure across the property portfolio.

INCOME DISTRIBUTIONS

The Group's distributions for FY 2012 total 17.6 cents per stapled security, comprising:

- 8.7 cents per stapled security paid on 29 February 2012; a 3.6% increase from February 2011[7]; and
- 8.9 cents per stapled security paid on 31 August 2012; a 2.3% increase from August 2011[8].

The total distribution for FY 2012 was 0.1 cent per "GOZ" stapled security higher than guidance provided in the Rights Offer Booklet dated 20 December 2011 and 2.9% higher than FY 2011.

The distribution is 84% tax deferred with the remaining 16% being a concession capital gain (which is tax free).

Estimated distributable profit for the year ending 30 June 2013 is between 19.4 and 19.8 cents per stapled security and distribution guidance is 18.3 cents per stapled security; a 4% increase on FY 2012. At an ASX price of $2.11[9] and FY 2013 distribution guidance of 18.3 cents per security, the Group offers an attractive distribution yield of 8.7%, 2.7% above the A-REIT sector distribution yield[10].

The payout ratio for this financial year is expected to be 92-94%; down from 99% for FY 2012. The Board has decided to reduce the payout ratio due to the changed nature of the property portfolio, particularly an increased office weighting (49% at 30 June 2012, up from 35% at 30 June 2011). Office properties generally require more capital expenditure and have greater tenant turnover, leading to increased cash requirements to fund costs associated with lease renewals, when compared to industrial properties. Retained distributable income will be used to fund this expenditure. Payout ratios for future periods will take account of the portfolio metrics at the time and have regard to prevailing financial conditions. The Group's policy remains to distribute as much distributable income to securityholders as is prudent each year.

ACQUISITIONS FY 2012

PROPERTY	*Sector*	*Major Tenant(s) as a percentage of NLA*	*Purchase Price ($ million)*[6]	*Initial Passing Yield*
CB1, 22 Cordelia Street, South Brisbane, Queensland	Office	Downer Mining (46%), AXA (12%), Macmahon Contractors (12%)	64.3	8.9%
CB2, 42 Merivale Street, South Brisbane, Queensland	Office	Fusion (82%)	32.5	7.8%
333 Ann Street, Brisbane, Queensland	Office	Runge (26%), Robert Bird Group (16%), Xtract Mining Consultants (7%)	109.9	9.1%
Building C, Gore Hill Technology Park, 219-247 Pacific Highway, Artarmon, New South Wales	Office	Fox Sports (50%), 5 year rental guarantee (50%)	82.7	8.1%
10-12 Mort Street, Canberra, Australian Capital Territory	Office	Commonwealth of Australia (Department of Education, Employment and Workplace Relations) (100%)	55.8	10.3%
F.R. Smith Drive Car Park, Botanica Corporate Park, 572-576 Swan Street, Richmond, Victoria	Office (car park)	GE Money (50 spaces), Avexa (42 spaces)	1.0	14.1%
TOTAL			**346.2**	**8.9%**

OUTLOOK

The Group continues to seek investment opportunities where they are considered to be of value to all securityholders. The Group remains cautious due to the on-going turbulence in global financial markets, particularly in Europe, and a slowing Australian economy. Counterbalancing this caution is the knowledge that the Group's property portfolio is very well let, with quality tenants, enjoying 99% occupancy, a WALE of over 7 years and an income that grows each year under leases with fixed rental increases. The Group's debt is secured from three of the four major domestic banks and the first maturity date does not occur until December 2014.

The large spread between property yields and bond rates, and historically low interest rates for borrowers, should continue to support the attractiveness of real estate investment versus other asset classes. Offshore property investors will continue to be attracted to investment in Australian commercial real estate, whether via direct investment or via investment in A-REIT's, where yields are attractive from a global perspective and the security of earnings is high.

On behalf of the Board and management, thank you for your continued support for Growthpoint Properties Australia.

T.J. Collyer.

Timothy Collyer
Managing Director

6. Before transaction costs (stamp duty, valuation fees, due diligence, legal and other advisory fees) and in the case of the Fox Sports Development, the final price is dependent on the leasing of space which is not yet pre-committed.
7. Holders of "GOZN" securities received a pro-rated distribution of 7.5 cents per GOZN stapled security.
8. Holders of "GOZNA" received a pro-rated distribution of 7.6 cents per GOZNA stapled security.
9. The closing price on 17 August 2012, the last trading day before the release of the Group's annual results.
10. Source: UBS Investment Research.

Strategy & objectives

- **Our primary aim is to secure stable and growing distributions for securityholders.**
- **To fulfill this aim we will seek to continue to acquire high quality properties with long-term leases to high quality tenants.**

OUR STRATEGY

▸ 100% INVESTMENT IN AUSTRALIA All of the Group's investment properties are located in Australia where our management understands the key markets. We have increased the diversification of the portfolio to cover every State in Australia and the Australian Capital Territory.

▸ NO FUNDS MANAGEMENT The Group's revenue is solely derived from rental income. The Group does not have a funds management business nor does it intend to become a fund manager. The Group intends only to manage a portfolio of properties that its securityholders own, and accordingly the Group's income is, and will continue to be, derived solely from rental income rather than funds/ asset management fees.

▸ NOT A DEVELOPER The Group does not operate a property development business and does not intend to take on any significant development risk. It has and will likely continue to purchase properties to be developed, fund construction of developments, or enter a joint venture where the Group becomes the ultimate owner of the property on completion of the development but only where material precommitment leases are in place. The Group will not undertake developments that are not materially pre-leased or develop properties for the purpose of selling to third parties.

▸ INTERNALISED MANAGEMENT The Group has internalised management via a stapled entity structure. Securityholders own both the property trust and the manager/responsible entity. There are no fees payable to external managers for operating the business and no conflicts of interest between securityholders and the manager/responsible entity.

FUTURE OBJECTIVES

The Group will continue to seek investment opportunities to grow the property portfolio, and, as a result, the size of the business. It does so to achieve the following objectives:

- Improve the quality and the diversification (tenant spread, geographic location, lease terms, sector) of the property portfolio.
- Provide a stable and increasing distribution profile to securityholders over time derived from the property rental income of the portfolio.
- Take advantage of market conditions in Australia where relatively attractive property income yields are on offer.
- Provide securityholders, and potential securityholders, with opportunities for investment in the Group thereby growing the equity base, increasing trading liquidity and leading to future ASX index inclusion.

Whilst acquisition opportunities will be opportunistically assessed, the Group intends to continue its investment in Australian office and industrial property markets. Retail property opportunities will be evaluated from time to time, however, the Group believes retail property yields will need to soften and retail sales improve before significant investment in the sector is justified.

Growthpoint Properties Australia enjoys substantial support from the very successful Growthpoint Properties Limited of South Africa.

Norbert Sasse / **Director, Chairman - Nomination, Remuneration & HR Committee**

GOZ NOW

$1.6b[1]
in property assets

51% industrial and 49% office

7.2 yrs
WALE

3.2%p.a.
Weighted average rent review

50%
Gearing

Two debt facilities with three major banks maturing in 3-5 years

$797m
market capitalisation

$286m
free float

Growing distributions, quality tenants

GOZ IN THE MEDIUM TERM[2]

>$2.0b
in property assets

Diversified between office, industrial and retail

Longer than sector average WALE

>3.0%p.a.
Weighted average rent review

<45%
Gearing

Diversified debt funding including sources outside the major banks

>$1.0b
market capitalisation

>$350m
free float

Growing distributions, quality tenants, included in the ASX/S&P 200 Index

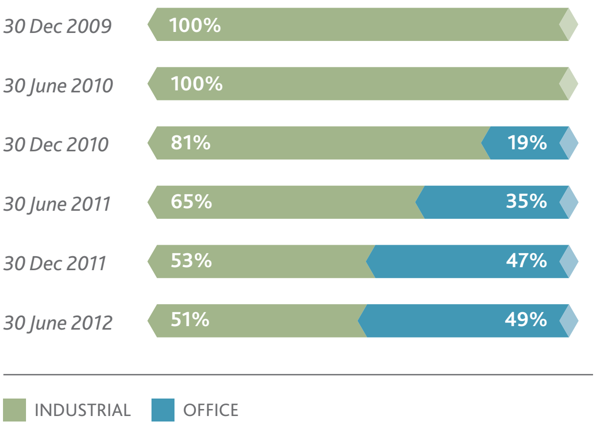
1. Book value at 30 June 2012 plus properties contracted to purchase at their purchase price and properties in development at their independent value on completion.
2. This represents the Group's current expectations, however, should not viewed as a forecast and remains subject to market conditions, opportunities and the aforementioned goals.

Highlights for FY 2012

- High total return of 21.6% compared with the 11.0% return experienced by the S&P/ASX 300 Property Accumulation Index[1].
- 2.9% growth in distributions per stapled security.
- Significant expansion and diversification of the property portfolio.

Increasing sector diversification

SECTOR DIVERSITY

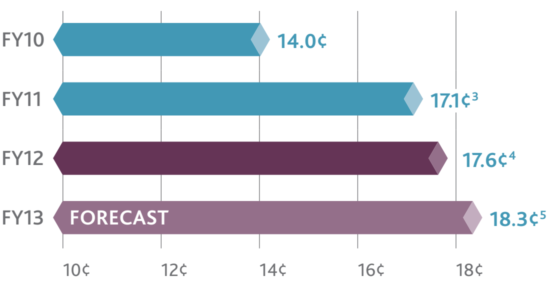


Increasing portfolio value

PORTFOLIO BOOK VALUE

Growing distributions every year

DISTRIBUTIONS PAYABLE PER STAPLED SECURITY



1. Source: UBS Investment Research.
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4. Holders of "GOZN" securities issued as part of the 2011 rights offer and holders of "GOZNA" securities issued as part of the 2012 rights offer received pro-rated distribution based on the date of issue of these securities.
5. Distribution guidance only.

$1.6b[2]

Portfolio book value

An increase of 33.3% since 30 June 2011.

$797m

Market capitalisation

A 78.5% increase since 30 June 2011

$57.7m

Distributable profit

An increase of 58.5% since 30 June 2011.

$49.5m

Statutory after tax profit

An increase of 14.1% since 30 June 2011.

17.6¢

Distributions payable per GOZ security

An increase of 2.9% on the previous corresponding period.

Since 2009, the Group has increased its market capitalisation from $100m to around $800m.

Francois Marais / Director

▲ AWARD WINNING DESIGN

A1, 32 CORDELIA STREET, BRISBANE, QLD This is a recently developed 4.5 star NABERS rated office building. The property forms part of the SW1 development which won the 2011 Australia Award for Urban Design.

KEY EVENTS FOR FY 2012

JULY 2011

- Raised $102.6 million via a rights offer.

AUGUST 2011

- Completion of takeover of Rabinov Property Trust valued at $184 million with properties located in Victoria, South Australia and Tasmania.
- Completed acquisition of land and entered development agreement for a "to be constructed" $82.5 million office building in Nundah, Queensland.
- Agreed a new ten year lease for its premises at 130 Sharps Road, Tullamarine, Victoria with the existing tenant, The Laminex Group with a commencing rent of approximately $2.5 million per annum; a 3.5% rent increase on the prior rent.

JANUARY 2012

- Raised $166.4 million via a rights offer.
- Expanded, extended and renegotiated $765 million syndicated debt facility with NAB, Westpac and ANZ.

FEBRUARY 2012

- Completed acquisition of two office buildings at SW1 in South Brisbane and 333 Ann Street, Brisbane for $207 million.
- New $70 million debt facility entered into with NAB.
- Completed acquisition of land and entered development agreement for a "to be constructed" $82.7 million office building in Artarmon, New South Wales.

MAY 2012

- Announced establishment of a new Distribution Reinvestment Plan giving securityholders a way to increase their securityholding in Growthpoint Properties Australia by reinvesting all or part of their distribution entitlement in additional stapled securities, rather than receiving the distribution as cash.

JUNE 2012

- Exchanged contracts to acquire a property at 10-12 Mort Street, Canberra, Australian Capital Territory for $55.8 million (excluding transaction costs) fully-let to the Commonwealth of Australia on a five year lease expiring 24 March 2017.

Portfolio Overview[1]

› Property assets have increased to in excess of $1.6 billion with the acquisition of six new properties during FY 2012.
› The portfolio now totals 41 properties including two A-Grade office buildings currently in development.
› The Group has achieved significant tenancy retention due to careful in-house management.

	OFFICE	INDUSTRIAL	PORTFOLIO
PROPERTY VALUE	$800.6m	$834.2m	$1.6b
NUMBER OF PROPERTIES	14	27	41
SITE AREA	125,968m²	2,114,056m²	2,240,024m²
GROSS LETTABLE AREA (GLA)	146,917m²	753,759m²	900,676m²
BOOK VALUE % OF TOTAL PORTFOLIO	49%	51%	100%
NET PROPERTY INCOME (IN FY 2012)	$38.8m	$70.1m	$108.9m
% OF NET PROPERTY INCOME (IN FY 2012)	35%	65%	100%
AVERAGE VALUE PER m²	$5,449m²	$1,107m²	$1,815m²
AVERAGE RENTAL (PER m²/ANNUM)	$502	$95	$161
WEIGHTED AVERAGE LEASE EXPIRY (WALE)	6.0 years	8.5 years	7.2 years
AVERAGE PROPERTY AGE	3.8 years	8.1 years	6.0 years
OCCUPANCY	98%	100%	99%

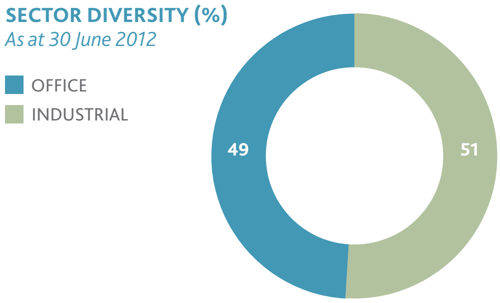
1. In this section all values include properties contracted to purchase at 30 June 2012 at their purchase price and properties in development at their independent value on completion.

Michael Green / **Portfolio Manager**

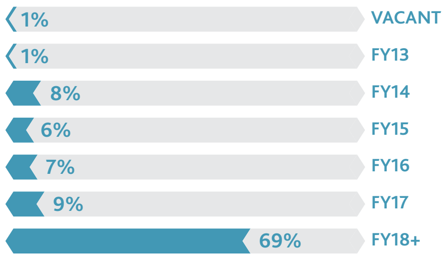
Our objective is to invest solely in high quality, well-leased premises.

KEY INDICATORS

SECTOR DIVERSITY (%)
As at 30 June 2012

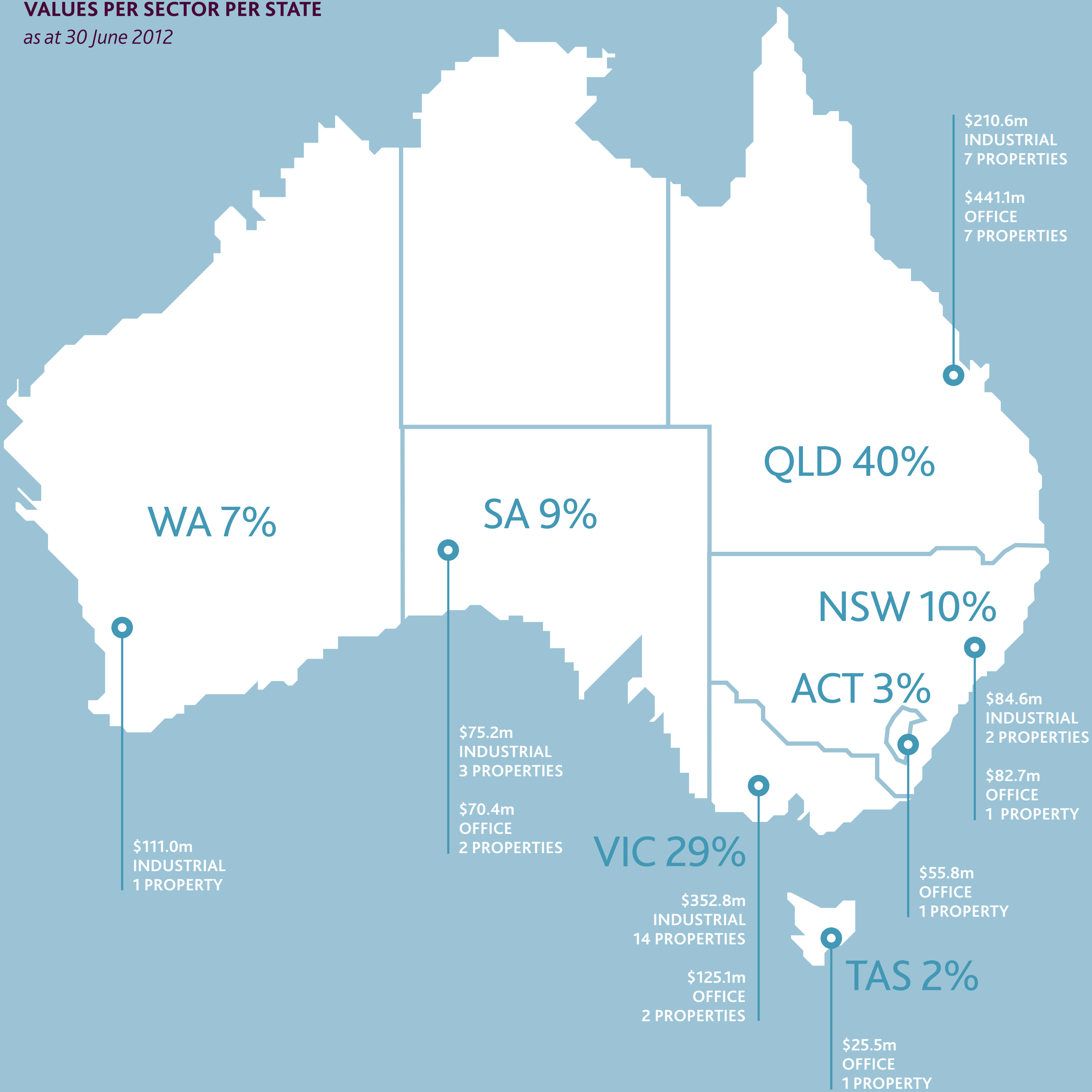


PORTFOLIO RENT EXPIRING PER FINANCIAL YEAR*



*Figures may not sum due to rounding

VALUES PER SECTOR PER STATE
as at 30 June 2012



Office portfolio review[1]

› **Successfully acquired six properties during the year, for a total value of $346.2 million (before transaction costs) at an average initial yield of 8.9%.**
› **The office portfolio has increased to 49% of the Group's portfolio (up from 35% at 30 June 2011).**

$800.6m
Office Portfolio Value

An increase of 85% from 30 June 2011.

49%
of the property portfolio

Up from 35% at 30 June 2011.

6.0yrs
WALE at 30 June 2012

Down from 7.2 years as at 30 June 2011.

8.3%
Average Cap Rate

98%
Occupancy

14
Properties

Up from eight at 30 June 2011.

64
Tenants

Up from 21 at 30 June 2011.

ACQUISITIONS AND DISPOSALS

The year was again busy with several acquisitions. GOZ commenced the year with a 35% weighting to the office sector and continued to target the sector as, in the view of directors and management, this sector will outperform over the short to medium term. Growthpoint Properties Australia successfully acquired six office assets during the year, for a total value of $346.2 million at an average initial yield of 8.9%.

In January 2012, the Group settled the acquisition of three Queensland office buildings, including its first acquisition in a CBD office market; 333 Ann Street, Brisbane, a four year old, A-Grade office building providing the Group with an initial income yield of 9.1% per annum. Growthpoint Properties Australia also acquired the two office towers in the award winning, Property Solutions Group developed, SW1 complex in South Brisbane. The Group acquired the other two commercial towers in this complex in 2010 and now owns approximately 37,000 square metres of A-grade office space in South Brisbane together with the underlying car park.

The national office market is expected to perform relatively well with falling vacancy rates, moderate tenant demand and limited new supply.

TOP TEN TENANTS *(by passing rent)*

TENANT	*% of Office Rent*	*% of Portfolio Rent*
GE Capital Finance Australia	14	7
Commonwealth of Australia	9	5
Sinclair Knight Merz	7	4
Energex	7	3
Runge	4	2
Fox Sports	4	2
Downer Mining	4	2
Coffey International	4	2
State Government of Tasmania	4	2
Fusion	4	2
TOTAL	**61**	**31**

Figures may not sum due to rounding

Grant Jackson / **Director**

1. In this section all values include properties contracted to purchase at 30 June 2012 at their purchase price and properties in development at their independent value on completion.

NEW ACQUISITIONS IN THE BRISBANE MARKET

333 ANN ST, BRISBANE QLD "A-Grade" 24 level office building purchased for $109.9m (before transaction costs).

CB1, 22 CORDELIA ST, SOUTH BRISBANE QLD Nine level office building plus 155 car parks purchased for $64.3m (before transaction costs).

CB2, 42 MERIVALE ST, SOUTH BRISBANE QLD Six level office building plus 83 car parks purchased for $32.5m (before transaction costs).

▲ FIRST MAJOR CBD ACQUISITION

333 ANN ST, BRISBANE, QLD The Group's first acquisition in the CBD office market, a four year old, A-Grade office building providing the an initial yield of 9.1% per annum.

Office portfolio review

SW1 COMPLEX

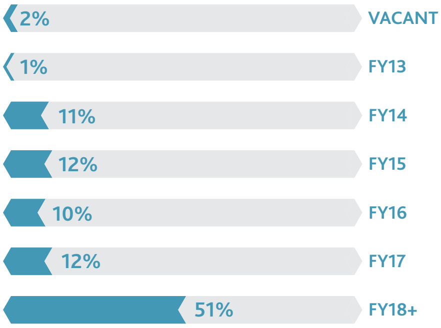
1 CB1, 22 CORDELIA ST, SOUTH BRISBANE, QLD A nine floor office building plus 155 basement car parks. **Current book value: $68.0m**

In March 2012, Growthpoint Properties Australia entered into a Delivery Agreement with a developer, Lindsay Bennelong Group, to develop a new "A-grade" office building at the Gore Hill Technology Park; a new business park on the Pacific Highway, approximately 1 km from St Leonards Station. The park already houses a new data centre wholly leased to the ASX. The property has been acquired on a fund through basis. The total cost to the Group (including land purchase costs) will be approximately $82.7million[1] and will provide an initial passing yield of 8.1% on completion. Growthpoint Properties Australia will receive a coupon of 8.75% per annum on its cumulative outlay until practical completion which is expected in December 2012. The building will have a net lettable area of approximately 14,136 square metres plus 182 car spaces spread over six upper levels, a lower ground floor and two basement car park levels. The building is targeting a 5 star NABERS rating, a 5 star Green Star rating and will be 50% leased to Fox Sports under a 10 year lease (from practical completion). The developer has provided a 5 year rent guarantee from practical completion for any part of the building not leased at practical completion.

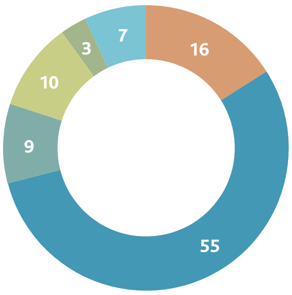
Finally, in June 2012, Growthpoint Properties Australia announced that it had exchanged contracts to acquire two interconnected office buildings located at 10-12 Mort Street, Canberra in the Australian Capital Territory for $55.8 million (before acquisition costs) from the GPT Wholesale Office Fund. The buildings are fully-let to the Commonwealth of Australia (Department of Education, Employment and Workplace Relations) on a five year lease expiring 24 March 2017, with one five year option of renewal. The acquisition provides an attractive initial yield of 10.3% per annum.

Including the Canberra acquisition which completed on 27 August 2012, Growthpoint Properties Australia's portfolio is now weighted 49% to the office sector.

OFFICE PORTFOLIO LEASE EXPIRY PROFILE
(by rental income)



Figures may not sum due to rounding



GEOGRAPHIC DISTRIBUTION IN AUSTRALIA (%)
As at 30 June 2012

- VICTORIA
- QUEENSLAND
- SOUTH AUSTRALIA
- NEW SOUTH WALES
- TASMANIA
- AUSTRALIAN CAPITAL TERRITORY

1. Depending upon the lease terms for letting of vacant areas under the 5 year rent guarantee the Group's maximum price will be approximately $84.0 million, based on an initial passing yield of 8.00%.




2 **A4, 52 MERIVALE ST, SOUTH BRISBANE QLD** A seven-level office building currently leased to Macmahon Contractors. **Current book value: $65.0m**

3 **A1, 32 CORDELIA STREET, SOUTH BRISBANE, QLD** A seven-level office building currently leased to Sinclair Knight Merz. **Current book value: $64.0m**

4 **CB2, 42 MERIVALE ST, SOUTH BRISBANE, QLD** A six level office building plus 83 basement car parks. **Current book value: $34.4m**

5 **32 CORDELIA ST & 42 MERIVALE ST, SOUTH BRISBANE, QLD** A two-level underground carpark facility with 215 carparks run by Secure Parking. **Current book value: $11.0m**

▲ FOCUS ON THE BRISBANE OFFICE MARKET

SW1, SOUTH BRISBANE, QLD The Group has focused its office investment on the Brisbane market, which we believe is in an upturn phase assisted by increasing tenant demand backed by the resources and mining sectors.

Office portfolio review

The Group will seek to continue to acquire modern, well leased, green credentialed office buildings in the current financial year.

The Group does not currently have any office property for sale.

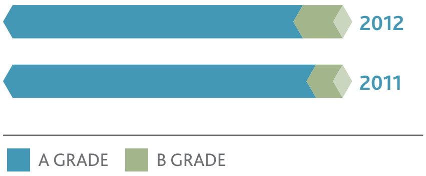
LEASING UPDATE

The Group office portfolio benefits from a comparatively long WALE of 6.0 years as at 30 June 2012. For the majority of FY 2012 Growthpoint Properties Australia maintained 100% occupancy across its office portfolio, however, in the last quarter of FY 2012 the State Government of Queensland chose not to exercise its option over two floors within the recently acquired CB1 building and one of the Group's tenants at 333 Ann St, Reed Constructions, entered voluntary administration. The Group is currently conducting 3 leasing campaigns comprising a total of 3,641 square metres of available space. The leasing campaigns are in their infancy and we remain confident that the space is well positioned in the market to be attractive to prospective tenants.

DEVELOPMENTS

Growthpoint Properties Australia currently has two office buildings under development: the Energex, Nundah building in Queensland and the Fox Sports, Artarmon building in New South Wales. In both cases, the Group has purchased the land from the Developer and entered into a "fund through" arrangement, whereby Growthpoint Properties Australia receives a monthly coupon of 8.75% per annum on its cumulative outlay until completion. Both assets are scheduled for completion by the end of 2012 and the initial yield following practical completion will be 8.25% and 8.10%[2], respectively. The properties have been independently valued at an aggregate $165.2 million upon completion and both are expected to be excellent additions to the Group's existing modern office portfolio.

OFFICE PORTFOLIO PROPERTY RATINGS
(as at 30 June)



The Group will continue to seek this style of acquisition in the future as it offers an excellent way of acquiring newly constructed, highly green credentialed, well leased assets at generous yields.

VALUATIONS

The office portfolio experienced valuation growth over the year, primarily driven by increasing market rental rates in locations where the Group owns assets. The office portfolio aggregate value grew by 2.7% on a like for like basis from 30 June 2011 to 30 June 2012.

AIMS FOR FINANCIAL YEAR 2013

The Group will continue to seek opportunities within the office portfolio which increase the net income and improve the sustainability attributes within the portfolio. The Group's asset management activities will focus on upcoming lease expiries within the portfolio in an attempt to agree lease extensions ahead of expiry to avoid any rental downtime.

Growthpoint Properties Australia prides itself in being a landlord to many of Australia's largest corporate and government tenants.

2. Actual yield will depend on final tenant mix in respect of Fox Sports, Artarmon building.

▲ GEOGRAPHIC DIVERSITY

10-12 MORT ST, CANBERRA, ACT Two adjoining "A-Grade" office buildings, 100% leased to the Australian Government.

Office portfolio review

PROPERTY PROFILES

GE BUILDING 2, 572-576 SWAN ST, RICHMOND, VIC

Modern 4 level office building, 3 level basement parking.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $74.0m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.00%

MAJOR TENANT GE Capital Finance Australasia

WALE 5.7 years

LETTABLE AREA 14,660m^2

SITE AREA 7,201m^2

GE BUILDING 1 & 3, 572-576 SWAN ST, RICHMOND, VIC

A modern two level office with courtyard adjoining a further single level office building.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $51.1m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.00%

MAJOR TENANT GE Capital Finance Australasia

WALE 5.7 years

LETTABLE AREA 10,250m^2

SITE AREA 16,819m^2 (includes vacant site of 530m^2)

333 ANN ST, BRISBANE, QLD

This is a 24 level A-Grade office building in the Brisbane CBD, the property includes 92 car spaces.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $116.3m

VALUER Directors' valuation

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.25%

MAJOR TENANT Runge / Robert Bird Group

WALE 3.3 years

LETTABLE AREA 16,476m^2

SITE AREA 1,563m^2

CB1, 22 CORDELIA ST, SOUTH BRISBANE, QLD

An A-Grade office building on the fringe of the Brisbane CBD, comprising 9 levels and 2 levels of basement parking.

INTEREST 999 year leasehold interest

BOOK VALUE AS AT 30 JUNE 2012 $68.0m

VALUER Directors' valuation

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.50%

MAJOR TENANT Downer Mining

WALE 1.8 years

LETTABLE AREA 11,561m^2

SITE AREA 5,772m^2

32 CORDELIA ST & 52 MERIVALE ST, SOUTH BRISBANE, QLD

This property is a two-level underground carpark facility.

INTEREST 999 year leasehold interest

BOOK VALUE AS AT 30 JUNE 2012 $11.0m

VALUER Directors' valuation

CAPITALISATION RATE 9.0%

DISCOUNT RATE 10.50%

MAJOR TENANT Secure Parking

WALE 2.4 years

NUMBER OF SPACES 215 spaces over two levels

SITE AREA 9,319m^2

ENERGEX BUILDING, 1231-1241 SANDGATE RD, NUNDAH, QLD

8 level office building with a ground floor retail precinct and 2 levels of basement car parking currently under construction. The building is due to be completed by November 2012.

INTEREST Freehold

INDEPENDENT VALUE ON COMPLETION $82.5m

VALUER m3 Property

CAPITALISATION RATE 7.75%

DISCOUNT RATE 9.75%

MAJOR TENANTS Energex

WALE 13.7 years (from practical completion)

LETTABLE AREA 12,910m^2 + 210 car parks

SITE AREA 4,451m^2

WORLDPARK:01, 33-39 RICHMOND ROAD, KESWICK, SA

This is a newly constructed 5 level, 5 Star Green Star, A-grade office building, located 1km from the Adelaide CBD.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $53.4m

VALUER Directors' valuation

CAPITALISATION RATE 8.5%

DISCOUNT RATE 10.0%

MAJOR TENANTS Coffey International (57%), Government of South Australia (42%)

WALE 11.0 years

LETTABLE AREA 11,835m^2 + 330 car parks

SITE AREA 4,169m^2

7 LAFFER DRIVE, BEDFORD PARK, SA

A modern single level call centre facility.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $17.0m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 9.25%

DISCOUNT RATE 10.25%

MAJOR TENANT Westpac Banking Corporation

WALE 1.1 years

LETTABLE AREA 6,639m^2 + 520 car parks

SITE AREA 33,090m^2

A4, 52 MERIVALE ST, SOUTH BRISBANE, QLD

This recently-developed property is a 5 star, NABERS rated, seven-level office building.

INTEREST 999 year leasehold interest

BOOK VALUE AS AT 30 JUNE 2012 $65.0m

VALUER Directors' valuation

CAPITALISATION RATE 8.25%

DISCOUNT RATE 9.50%

MAJOR TENANT Macmahon Contractors

WALE 3.4 years

LETTABLE AREA 9,453m²

SITE AREA 2,331m²

A1, 32 CORDELIA ST, SOUTH BRISBANE, QLD

This is a recently developed 4.5 star NABERS rated, seven-level office building.

INTEREST 999 year leasehold interest

BOOK VALUE AS AT 30 JUNE 2012 $64.0m

VALUER m3 Property

CAPITALISATION RATE 8.30%

DISCOUNT RATE 9.75%

MAJOR TENANT Sinclair Knight Merz

WALE 6.1 years

LETTABLE AREA 10,125m²

SITE AREA 2,667m²

CB2, 42 MERIVALE ST, SOUTH BRISBANE, QLD

An A-Grade office building on the fringe of the Brisbane CBD, comprising 6 levels and 2 levels of basement parking.

INTEREST 999 year leasehold interest

BOOK VALUE AS AT 30 JUNE 2012 $34.4m

VALUER Directors' valuation

CAPITALISATION RATE 9.00%

DISCOUNT RATE 9.50%

MAJOR TENANT Fusion

WALE 3.6 years

LETTABLE AREA 6,598m²

SITE AREA 3,158m²

BUILDING C, GORE HILL TECHNOLOGY PARK, 219-247 PACIFIC HWY, ARTARMON

A-grade office building currently under construction 50% leased to Fox Sports for 10 years from completion with the balance the subject of a 5 year rent guarantee from the developer. Completion is expected to occur late December 2012.

INTEREST Freehold

INDEPENDENT VALUE ON COMPLETION $82.7m

VALUER Colliers International

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.25%

MAJOR TENANT Fox Sports

WALE 7.6 years (from practical completion)

LETTABLE AREA 14,136m²

SITE AREA 4,212m²

10-12 MORT ST, CANBERRA, ACT

The property comprises two modern "A grade" eight storey office buildings with a combined net lettable area of approximately 15,398 square meters plus 158 car parks on land of 3,064 square meters.

INTEREST 100% Crown Leasehold

BOOK VALUE AS AT 30 JUNE 2012 $55.8m

VALUER Knight Frank

CAPITALISATION RATE 9.75%

DISCOUNT RATE 10.50%

MAJOR TENANT Commonwealth of Australia

WALE 4.7 years

LETTABLE AREA 15,398m²

SITE AREA 3,064m²

66 KENNEDY DRIVE, CAMBRIDGE, TAS

A modern office building, purpose built for Hydro Tasmania.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $25.5m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 9.00%

DISCOUNT RATE 10.00%

MAJOR TENANT Hydro Tasmania

WALE 11.8 years

LETTABLE AREA 6,876m²

SITE AREA 28,080m²

Industrial portfolio review

- The industrial portfolio maintained its 100% occupancy rate during the year.
- The Group remains on the lookout for modern industrial buildings with long WALEs leased to 'blue chip' tenants.

$834.2m

Industrial Portfolio Value

An increase of 2.6% since 30 June 2011.

51%

of the property portfolio

Down from 65% at 30 June 2011.

8.5yrs

WALE at 30 June 2012

Down from 8.9 years at 30 June 2011.

8.4%

Average Cap Rate

100%

Occupancy

27

Properties

Down from 28 properties at 30 June 2011.

23

Tenants

Down from 24 at 30 June 2011

ACQUISITIONS AND DISPOSALS

During the year, Growthpoint continued its strategy of divesting smaller, older industrial assets. 1304 Ferntree Gully Road, Scoresby was sold to PACT Group for its book value of $5.2 million. The lease on this ageing asset was close to expiry and the sale capitalised on the strong owner occupier market in a tightly held industrial precinct. Although no new industrial assets were purchased this year as the Group continued to diversify its portfolio by reweighting towards office assets, Growthpoint Properties Australia nevertheless remains on the lookout for modern industrial buildings with long WALEs leased to 'blue chip' tenants.

LEASING

During the year, the Group secured a 10 year lease extension over its 28,100 sqm property at 130 Sharps Road, Melbourne Airport. The lease to The Laminex Group (part of NZSE and ASX-listed Fletcher Building Group) was extended until June 2022. The Group also renewed the leases to its existing tenants Willow Ware and Temp Fence (1300TempFence) at 45-55 South Centre Road, Melbourne Airport. Both leases were for five year terms expiring in February 2017. This asset is one of only two multi-tenanted industrial properties in the Group's portfolio.

Growthpoint Properties Australia remains keen to expand its industrial portfolio, particularly in New South Wales.

TOP TEN TENANTS *(by passing rent)*

TENANT	*% of Industrial Rent*	*% of Portfolio Rent*
Woolworths	58	28
Coles Group	10	5
Star Track Express	5	3
Fletcher Building (Laminex)	3	1
Willow Ware Australia	3	1
Paper Australia	2	1
The Reject Shop	2	1
ARB Corporation	2	1
Reward Supply Co.	2	1
Exego	2	1
TOTAL	**88**	**43**

Figures may not sum due to rounding.

Estienne de Klerk / **Director**

▲ **SCOPE FOR EXPANSION**

28 BILSTON DR, WODONGA, VIC This modern distribution facility (including double level office and temperature controlled / part ambient warehouse space) includes a significant area of vacant land providing potential for further expansion.

Industrial portfolio review

TULLAMARINE BUSINESS PARK, VIC

1 **38-40 ANNANDALE RD, TULLAMARINE, VIC** A modern distribution centre featuring two separate office/warehouse buildings. Leased to the Star Track Express. **Current book value: $36.5m**

2 **130 SHARPS RD, TULLAMARINE, VIC** A modern two-storey distribution centre, including a warehouse, office and showroom complex. Leased to The Laminex Group. **Current book value: $22.6m**

Leases with existing tenants, Cummins Filtration and Bridgestone Australia, were extended or are in the process of being extended. Refer to the section headed "Developments/expansions" below for further details.

The Group maintained its 100% occupancy rate during the year.

DEVELOPMENTS/EXPANSIONS

Although not a developer, the Group has capacity to invest capital in expanding existing assets in response to demand from its current tenants. At 31 Garden Street, Kilsyth, the Group delivered an office and car park extension in conjunction with a renewal of the lease to existing tenant Cummins Filtration International Corporation (part of the NYSE listed Cummins Group). The lease was extended by 7 years and now expires in December 2018.

Another 'blue chip' corporate tenant, Bridgestone Australia Limited, has served notice exercising its rights under the lease requiring the Group to build a 2,094 sqm warehouse extension. Since closing its manufacturing facility in South Australia, the tenant's requirement for warehouse accommodation has increased significantly and the expansion will provide much needed additional capacity. The Group has entered into an Agreement for Variation of Lease conditional on obtaining a satisfactory planning permit for the extension. The lease is to be extended by 7 years commencing on completion of the works, an estimated 1.2 year increase in the property's previous lease term.

VALUATIONS AND THE BROADER MARKET

In the broader market, the first half of the year saw a number of large single asset and portfolio acquisitions, notably involving overseas sovereign and pension funds. The second half of the year saw comparatively fewer transactions although institutional grade industrial property remains an attractive investment proposition in light of declining finance interest rates and bond yields.




3 **120 LINK RD, TULLAMARINE, VIC** A modern distribution centre comprising a warehouse and office complex. Leased to The Reject Shop. **Current book value: $17.5m.**

4 **60 ANNANDALE RD, TULLAMARINE, VIC** A modern manufacturing and distribution centre with single-level warehouse and office complex. Leased to Willow Ware Australia. **Current book value: $12.9m.**

5 **45-55 SOUTH CENTRE RD, TULLAMARINE, VIC** A modern distribution facility with two-level warehouse and office complex. Leased to Willow Ware Australia and 1300TempFence. **Current book value: $8.7m.**

6 **75 ANNANDALE RD, TULLAMARINE, VIC** A modern single-level distribution centre with office complex and warehouse. Leased to Caterpillar Logistics. **Current book value: $6.7m.**

▲ LEASING SUCCESS

130 SHARPS RD, TULLAMARINE, VIC & 45-55 SOUTH CENTRE RD, VIC During the fiscal year a 10 year lease extension was agreed with the Laminex Group for 130 Sharps Road. The Group's property at 45-55 South Centre Road was re-leased to existing tenants Willow Ware and 1300TempFence until 2017.

Industrial portfolio review

Market metrics remained relatively stable during the year with limited transactions in the second half subduing yield compression. Forecasts for rental growth have started to be scaled back as informed observers apply greater scrutiny to the demand side of the equation having previously focussed on limited supply as a driver of growth. The Group's industrial portfolio remains dominated by large modern regional distribution centres leased to supermarket giants Woolworths and Coles on long leases. With the core of the industrial portfolio underpinned by 'non-discretionary' consumption, the prospects for rental growth remain solid.

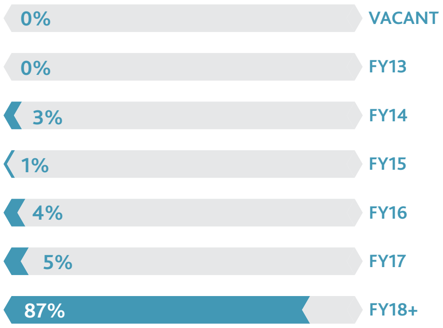
The value of the Group's industrial portfolio increased 2.6% to $834.2 million in the year to June 2012. Disregarding 1304 Ferntree Gully Road, Scoresby from the June 2011 valuations to allow a 'like for like' comparison, the increase was 3.25%. The average annual rent review for the industrial portfolio is 2.8%, with the balance of the growth emanating from market led yield compression.

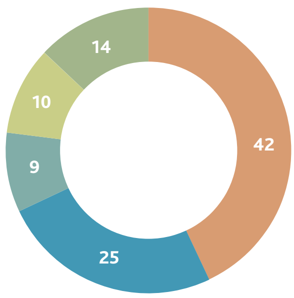
AIMS FOR FY13

The Group will continue to maximise returns from its existing assets and has demonstrated that it can work with its existing tenants to respond to their, often rapidly changing, needs exemplified by property expansions with Cummins Filtration at Kilsyth and potentially Bridgestone at Derrimut. Growthpoint Properties Australia works proactively to retain tenants, maintaining high levels of occupancy and minimising any potential leasing downtime.

Growthpoint Properties Australia remains keen to expand its industrial portfolio, particularly in New South Wales, provided suitable properties or portfolios comprising modern buildings, leased to secure tenants on long leases can be sourced which meet the Group's strict investment criteria.

INDUSTRIAL PORTFOLIO LEASE EXPIRY PROFILE
(by rental income)





GEOGRAPHIC DISTRIBUTION IN AUSTRALIA (%)
As at 30 June 2012

VICTORIA
QUEENSLAND
SOUTH AUSTRALIA
NEW SOUTH WALES
WESTERN AUSTRALIA

The Group will continue to maximise returns from its existing assets.

▲ MEETING OUR TENANTS' NEEDS

31 GARDEN STREET, KILSYTH, VIC The Group delivered an office and a car park extension in conjunction with a renewal of the lease to existing tenant Cummins Filtration International Corporation (part of NYSE listed Cummins Group). The lease was extended by 7 years.

Industrial portfolio review

PROPERTY PROFILES

28 BILSTON DR, WODONGA, VIC

This modern purpose-built distribution facility comprising double level office and temperature controlled / part ambient warehouse space as well as a large area of vacant land with potential for expansion.

INTEREST Leasehold expiring 2306

BOOK VALUE AS AT 30 JUNE 2012 $70.5m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 8.25%

DISCOUNT RATE 9.50%

MAJOR TENANT Woolworths

WALE 9.1 years

LETTABLE AREA 57,440m²

SITE AREA 250,000m²

120 NORTHCORP BLVD, BROADMEADOWS, VIC

A modern, purpose-built distribution facility including two interconnected ambient warehouses and a high bay, automated picking warehouse.

INTEREST Leasehold expiring 2306

BOOK VALUE AS AT 30 JUNE 2012 $64.0m

VALUER Savills

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.50%

MAJOR TENANT Woolworths

WALE 9.1 years

LETTABLE AREA 58,320m²

SITE AREA 250,000m²

522-550 WELLINGTON RD, MULGRAVE, VIC

This property comprises ambient warehousing, a temperature-controlled warehouse with cool store and freezer zones and a large two-storey administration building, with two detached office and operations buildings.

INTEREST Leasehold expiring 2306

BOOK VALUE AS AT 30 JUNE 2012 $50.5m

VALUER Directors' valuation

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.25%

MAJOR TENANT Woolworths

WALE 9.1 years

LETTABLE AREA 68,144m²

SITE AREA 191,200m²

38-40 ANNANDALE RD, TULLAMARINE, VIC

A modern distribution centre featuring two separate office/ warehouse buildings which were constructed at various stages between 2002 and 2009.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $36.5m

VALUER Directors' valuation

CAPITALISATION RATE 9.00%

DISCOUNT RATE 10.25%

MAJOR TENANT Star Track Express

WALE 7.0 years

LETTABLE AREA 44,424m²

SITE AREA 75,325m²

60 ANNANDALE ROAD, TULLAMARINE, VIC

A modern manufacturing and distribution centre with single-level warehouse and office complex, constructed in 2003.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $12.9m

VALUER Knight Frank

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.00%

MAJOR TENANT Willow Ware Australia

WALE 5.8 years

LETTABLE AREA 16,276m²

SITE AREA 34,726m²

365 FITZGERALD ROAD, DERRIMUT, VIC

A modern warehouse and distribution centre, featuring two office levels, tyre fitting area and showroom.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $13.4m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 8.25%

DISCOUNT RATE 9.75%

MAJOR TENANT Bridgestone Australia

WALE 6.5 years

LETTABLE AREA 14,021m²

SITE AREA 29,860m²

45-55 SOUTH CENTRE ROAD, TULLAMARINE, VIC

A modern distribution facility with two-level warehouse and office complex, constructed in 2003.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $8.7m

VALUER Directors' valuation

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.25%

MAJOR TENANT Willow Ware Australia

WALE 4.7 years

LETTABLE AREA 14,082m²

SITE AREA 24,799m²

306-318 ABBOTTS ROAD, LYNDHURST, VIC

A modern industrial office/ warehouse facility.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $8.0m

VALUER Jones Lang LaSalle

CAPITALISATION RATE 8.50%

DISCOUNT RATE 9.00%

MAJOR TENANT Trimas Corporation

WALE 1.5 years

LETTABLE AREA 10,710m²

SITE AREA 25,830m²

130 SHARPS RD, TULLAMARINE, VIC

A modern two-storey distribution centre, including a warehouse, office and showroom complex, constructed in 2002.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $22.6m

VALUER Directors' valuation

CAPITALISATION RATE 9.00%

DISCOUNT RATE 10.25%

MAJOR TENANT The Laminex Group

WALE 10.0 years

LETTABLE AREA 28,100m²

SITE AREA 47,446m²

120 LINK RD, TULLAMARINE, VIC

A modern distribution centre comprising a warehouse and office complex, constructed in 2006.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $17.5m

VALUER Directors' valuation

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.25%

MAJOR TENANT The Reject Shop

WALE 4.6 years

LETTABLE AREA 26,517m²

SITE AREA 51,434m²

42-44 GARDEN ST, KILSYTH, VIC

A large industrial facility utilised for the manufacturing, distribution, sale and installation of 4x4 motor vehicle parts and accessories.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $17.8m

VALUER Directors' valuation

CAPITALISATION RATE 9.00%

DISCOUNT RATE 10.25%

MAJOR TENANT ARB Corporation

WALE 5.2 years

LETTABLE AREA 25,887m²

SITE AREA 55,990m²

LOTS 2-4, 44-54 RAGLAN ST, PRESTON, VIC

A manufacturing and distribution facility featuring three separate office/warehouse buildings.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $16.0m

VALUER Directors' valuation

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.75%

MAJOR TENANT Paper Australia

WALE 1.2 years

LETTABLE AREA 26,980m²

SITE AREA 42,280m²

31 GARDEN ST, KILSYTH, VIC

A modern office, warehouse and manufacturing facility.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $7.8m

VALUER Directors' valuation

CAPITALISATION RATE 9.00%

DISCOUNT RATE 10.00%

MAJOR TENANT Cummins Filtration

WALE 6.4 years

LETTABLE AREA 8,919m²

SITE AREA 17,610m²

75 ANNANDALE RD, TULLAMARINE, VIC

A modern single-level distribution centre, with office complex and warehouse, constructed in 2003.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $6.7m

VALUER Directors' valuation

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.25%

MAJOR TENANT Caterpillar Logistics

WALE 4.3 years

LETTABLE AREA 10,280m²

SITE AREA 16,930m²

70 DISTRIBUTION ST, LARAPINTA, QLD

This is the Woolworths Distribution Centre for Queensland. The facility was purpose-built in 2007. It comprises temperature-controlled and part-ambient warehousing, office accommodation over two levels, associated hardstand and loading/unloading facilities.

INTEREST Leasehold expiring 2072

BOOK VALUE AS AT 30 JUNE 2012 $159.0m

VALUER Directors' Valuation

CAPITALISATION RATE 8.00%

DISCOUNT RATE 9.75%

MAJOR TENANT Woolworths

WALE 9.7 years

LETTABLE AREA 75,425m²

SITE AREA 250,900m²

13 BUSINESS ST, YATALA, QLD

This property is a modern office/ warehouse distribution facility.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $14.0m

VALUER Directors' Valuation

CAPITALISATION RATE 8.50%

DISCOUNT RATE 9.75%

MAJOR TENANT Reward Supply Company

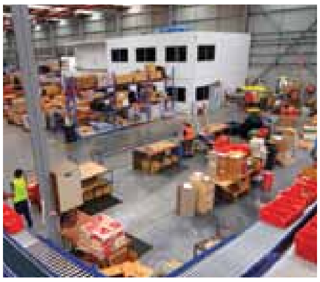
WALE 7.2 years

LETTABLE AREA 8,951m²

SITE AREA 18,630m²

Industrial portfolio review

PROPERTY PROFILES



5 VIOLA PLACE, BRISBANE AIRPORT, QLD

A modern two-level office/warehouse distribution facility.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $11.3m

VALUER Directors' valuation

CAPITALISATION RATE 10.00%

DISCOUNT RATE 10.00%

MAJOR TENANT Exego

WALE 3.5 years

LETTABLE AREA 14,726m²

SITE AREA 35,166m²

29 BUSINESS STREET, YATALA, QLD

This property is a modern office/warehouse distribution facility.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $11.4m

VALUER Knight Frank

CAPITALISATION RATE 8.75%

DISCOUNT RATE 10.00%

MAJOR TENANT CMC Coil Steels

WALE 4.8 years

LETTABLE AREA 8,680m²

SITE AREA 16,460m²

670 MACARTHUR AVENUE, PINKENBA, QLD

A modern industrial facility leased in two units.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $8.4m

VALUER Knight Frank

CAPITALISATION RATE 8.75%

DISCOUNT RATE 10.00%

MAJOR TENANTS Reliance Worldwide Pty Ltd and the Coventry Group

WALE 3.1 years

LETTABLE AREA 5,577m²

SITE AREA 10,360m²

10 GASSMAN STREET, YATALA, QLD

A modern office and warehouse building.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $4.7m

VALUER Knight Frank

CAPITALISATION RATE 8.50%

DISCOUNT RATE 9.75%

MAJOR TENANT Norman Ellison Carpets

WALE 5.3 years

LETTABLE AREA 3,188m²

SITE AREA 6,480m²

12-16 BUTLER BOULEVARD, ADELAIDE AIRPORT, SA

This property is a modern single-level office and warehouse complex.

INTEREST Leasehold expiring 2048 plus 49 year option

BOOK VALUE AS AT 30 JUNE 2012 $10.7m

VALUER Directors' valuation

CAPITALISATION RATE 10.00%

DISCOUNT RATE 10.25%

MAJOR TENANT Cheap as Chips

WALE 3.4 years

LETTABLE AREA 16,800m²

SITE AREA 30,621m²

10 BUTLER BOULEVARD, ADELAIDE AIRPORT, SA

A modern two-level warehouse and office facility.

INTEREST Leasehold expiring 2048 plus 49 year option

BOOK VALUE AS AT 30 JUNE 2012 $7.5m

VALUER Directors' valuation

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.25%

MAJOR TENANT Toll Transport

WALE 5.6 years

LETTABLE AREA 8,461m²

SITE AREA 16,100m²

134 LILLKAR ROAD, GOULBURN, NSW

A modern, purpose-built distribution centre with modern offices and high-clearance warehousing.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $71.0m

VALUER Directors' valuation

CAPITALISATION RATE 8.25%

DISCOUNT RATE 9.50%

MAJOR TENANT Coles Group

WALE 9.6 years

LETTABLE AREA 42,826m²

SITE AREA 162,500m²

81 DERBY STREET, SILVERWATER, NSW

A modern industrial office/warehouse building, built in 2000.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $13.6m

VALUER Directors' valuation

CAPITALISATION RATE 8.25%

DISCOUNT RATE 9.25%

MAJOR TENANT Blue Star Print Group

WALE 5.2 years

LETTABLE AREA 7,984m²

SITE AREA 13,490m²

3 VIOLA PLACE, BRISBANE AIRPORT, QLD

This property is a modern single-level office/warehouse distribution facility.

INTEREST Leasehold expiring 2047

BOOK VALUE AS AT 30 JUNE 2012 $1.8m

VALUER Directors' valuation

CAPITALISATION RATE 9.50%

DISCOUNT RATE 10.00%

MAJOR TENANT GE Capital Finance

WALE 0.1 years

LETTABLE AREA 3,429m²

SITE AREA 12,483m²

599 MAIN NORTH ROAD, GEPPS CROSS, SA

This is a Woolworths Regional Distribution Centre, constructed circa 1996, and incorporates ambient warehouse space, a chilled produce warehouse, a freezer warehouse and a modern two-storey office building.

INTEREST Freehold

BOOK VALUE AS AT 30 JUNE 2012 $57.0m

VALUER Directors' valuation

CAPITALISATION RATE 8.25%

DISCOUNT RATE 10.00%

MAJOR TENANT Woolworths

WALE 9.1 years

LETTABLE AREA 67,238m²

SITE AREA 233,500m²

2 HORRIE MILLER DRIVE, PERTH AIRPORT, WA

This property is a Woolworths Regional Distribution Centre, constructed circa 2007 and expanded in 2009.

INTEREST Leasehold expiring 2047 plus 49 year option

BOOK VALUE AS AT 30 JUNE 2012 $111.0m

VALUER Directors' valuation

CAPITALISATION RATE 8.00%

DISCOUNT RATE 10.00%

MAJOR TENANT Woolworths

WALE 13.3 years

LETTABLE AREA 80,374m²

SITE AREA 193,936m²

Corporate Governance Statement

› This is the Group's response to the ASX Corporate Governance Council's "Corporate Governance Principles and Recommendations" (2nd edition)

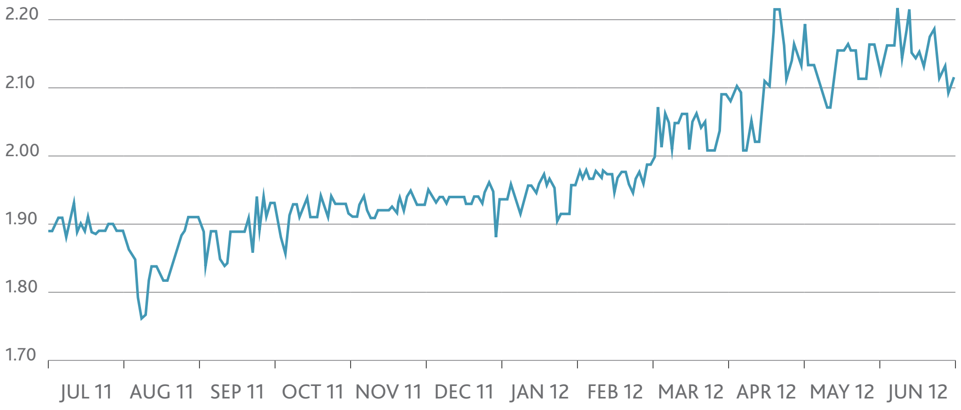
PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

RECOMMENDATION 1.1 *Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.*	The board of directors (**"Board"**) is responsible for the overall governance of the Group, with the aim of increasing securityholder value. The Board has approved a "Delegations of Authority Policy" under which authority for certain matters not considered material to the operation or value of the Group have been delegated to nominated directors and executives of the Group. The extent of each delegation is primarily determined by the dollar value of the potential exposure to the Group. Certain matters have been deemed by the Board to be material to the Group regardless of value, such as the acquisition or disposal of businesses and therefore require Board approval in all circumstances. Among other things, the Board is responsible for: **1.** Adoption and implementation of appropriate corporate governance practices. **2.** Establishment of the Group's strategies and objectives. **3.** Approval of material transactions. **4.** Establishment of processes and controls with respect to financial reporting and financial records. **5.** Adoption of relevant internal controls and risk management processes.
RECOMMENDATION 1.2 *Companies should disclose the process for evaluating the performance of senior executives.*	The Managing Director's performance is reviewed annually by the Nomination, Remuneration and HR Committee. The performance of all other employees, including other executives, is reviewed half-yearly by the Managing Director. In addition, the performance of the Company Secretary in relation to corporate governance matters is reviewed regularly by the Chairman.
RECOMMENDATION 1.3 *Companies should provide the information indicated in the Guide to reporting on Principle 1.*	There have been no departures from Recommendations 1.1, 1.2 or 1.3. The Group has undertaken performance evaluations in the manner set out in recommendation 1.2 above.

PRINCIPLE 2 - STRUCTURE THE BOARD TO ADD VALUE

RECOMMENDATION 2.1 *A majority of the board should be independent directors.*	The board comprises six non-executive directors and one executive director. Four of the non-executive directors are considered "independent" (refer to the Group's response to recommendation 2.6 below for details of how independence is determined). Refer to page 46-47 of this report for more details of directors, their experience and their classification.
RECOMMENDATION 2.2 *The chair should be an independent director.*	The Chairman, Lyn Shaddock, is an independent director.
RECOMMENDATION 2.3 *The roles of chair and chief executive officer should not be exercised by the same individual.*	The Chairman is Lyn Shaddock and the role of chief executive officer is fulfilled by the Managing Director, Timothy Collyer.
RECOMMENDATION 2.4 *The board should establish a nomination committee.*	The Board has established a Nomination, Remuneration and HR Committee. Refer to page 52 of this report for more details.

"GOZ" SECURITY PRICE FY 2012



Our corporate governance practices are structured to add value for securityholders.

Aaron Hockly / Company Secretary and General Counsel

MEETINGS

7
board meetings

4
Audit and Risk Committee meetings

4
Compliance Committee meetings

4
Nomination, Remuneration & HR Committee meetings

5
Due Diligence Committee meetings

11
Management Committee meetings

INVESTOR COMMUNICATIONS

1
securityholder general meeting

1
annual report

1
half year report

2
investor updates

2
disclosure documents

84
ASX announcements

83
meetings with investors

PROCESSES

2
rights offers

1
trust takeover

4
debt restructurings

6
properties contracted for acquisition

11
property acquisitions completed

1
property sold

4
external audits

68
compliance and risk monitoring reports

6
sets of financial statements

1
change of director

Distribution reinvestment plan introduced

RECOMMENDATION 2.5

Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

In accordance with its charter, the Nomination, Remuneration and HR Committee regularly, and not less than twice annually, reviews the performance of the Board, its committees and individual directors.

RECOMMENDATION 2.6

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Refer to page 46-47 of this report for details of the skills, experience, expertise and length of service of the Group's directors and their role with the Group including whether such persons are executive or non-executive and independent or non-independent.

The Board considers that a director is independent if the director is a non-executive director and satisfies criteria set by the Board from time to time including that the director:

- is not a substantial securityholder in the Group or an executive officer of, or otherwise associated directly with, a substantial securityholder of the Group where "substantial securityholder" means 5% of more of the Group's voting securities;
- has not, within the last three years, been employed in an executive capacity by the Group or its related entities;
- is not an officer or otherwise associated directly or indirectly with a material supplier to, or customer of, the Group;
- has no material contractual relationship with the Group or its related entities other than as a director of a company in the Group;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group's securityholders; and
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Group's securityholders.

Francois Marais has connections to the Group's major securityholder, Growthpoint Properties Limited, as its independent chairman. Mr Marais' role is performed in an independent capacity and, as a result, the Board does not believe that it impacts on his ability to carry out his role as an independent director of companies in the Group.

Directors are entitled to seek independent professional advice at the Group's expense provided that the Chairman approves the estimated costs in advance.

The Group recognises the importance of having directors with an appropriate range of skills, experience and background. The Nomination, Remuneration & HR Committee is required to assess the collective skills of the Board and determine whether the Board, as a whole, has the skills required to competently discharge its duties both when it considers appropriate and each time a non-executive director retires. This Committee is also charged with implementing a process for the identification of suitable candidate directors for recommendation to the Board which will ordinarily involve a search being undertaken by an appropriately qualified independent third party acting on a brief prepared by the Committee which identifies the skills and other characteristics (which could include location, gender and/or age) sought having regard to:

- the skills required by the Board;
- the skills represented on the Board; and
- the Board's aim of appointing women to the Board (subject to suitable candidates being available).

In considering nominations for the appointment of new directors from the Nomination, Remuneration & HR Committee, the Board considers a range of factors including:

- the integrity of the person;
- the qualifications, expertise and experience of the person and the extent to which these augment the skill set of the incumbent directors; and
- the reputation and standing of the person.

All non-executive directors are expected to voluntarily review their membership of the Board from time to time taking into account their length of service, age, qualifications and expertise relevant to the Group's then current operations, whilst giving consideration to the general interests of the Group as a whole.

The Nomination, Remuneration and HR Committee charter is available on the Group's website, www.growthpoint.com.au

PRINCIPLE 3 - PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

RECOMMENDATION 3.1 *Companies should establish a code of conduct and disclose the code or a summary of the code as to:* › *the practices necessary to maintain confidence in the company's integrity;* › *the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and* › *the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*	The Board has established a code of conduct for all directors and employees of the Group, a copy of which is available on the Group's website www.growthpoint.com.au. The Group continues to promote a strong awareness in our staff of the importance of engaging with the Community.
RECOMMENDATION 3.2 *Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*	The Board has established a Diversity Policy, a copy of which is available on the Group's website www.growthpoint.com.au
RECOMMENDATION 3.3 *Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*	The Board has established the following measurable objectives for achieving gender diversity: **1.** seeking to appoint at least one female director to the board; **2.** providing work experience opportunities to female graduates and undergraduates in order to encourage greater female involvement and participation in the property industry; **3.** the selection team for the recruitment of any employee will be obliged to encourage and appropriately advertise for applications from women and men, to consider male and female candidates and to interview at least one serious female candidate and one serious male candidate for any available position; **4.** female employees and other women are to be invited to our events and activities to assist them to build relationships in and with the Group and the property industry. The Group's performance in relation to the above objectives during FY 2012 are as follows: **1.** the Group appointed its first female director, Maxine Brenner, in March 2012; **2.** the Group has continued to make work experience generally available to female graduates and undergraduates by advertising this opportunity on its website and directly approaching RMIT; **3.** for both permanent employee vacancies filled, the selection team have interviewed at least one serious female candidate and one serious male candidate and both one new male and one new female employee has been appointed; and **4.** the Group has increased the number of events it holds which are open to all employees given both of its female employees are not currently part of management. The Group has also focussed on ensuring employees engage and network with females working in and for the property industry particularly with leading women at Jones Lang LaSalle and Freehills.
RECOMMENDATION 3.4 *Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*	As at the date of this report: **1.** approximately 17% of non-executive directors are women (one out of six); and **2.** approximately 20% of the Group's employees (two out of ten) are women but none are in senior executive positions; As stated in its Diversity Policy, the Group is seeking to increase the number of women in all levels of the Group over time, and has appointed two women this financial year out of three vacancies (one non-executive director and one employee).

RECOMMENDATION 3.5 *Companies should provide the information indicated in the Guide to reporting on Principle 3.*	There have been no departures from recommendations 3.1, 3.2, 3.3, 3.4, or 3.5

PRINCIPLE 4 - SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

RECOMMENDATION 4.1 *The board should establish an audit committee.*	The Board has established an Audit and Risk Committee. Refer to page 52 of this report for more details.
RECOMMENDATION 4.2 *The audit committee should be structured so that it:* › *consists only of non-executive directors* › *consists of a majority of independent directors* › *is chaired by an independent chair, who is not chair of the board* › *has at least three members.*	The Audit and Risk Committee comprises three members, all of whom are non-executive directors and a majority of whom are independent directors. Each Chair of the Committee during the period to which this report relates (David Spruell and Maxine Brenner) is or was, respectively, an independent director and not the Chairman of the Board. Refer to page 52 of this report for more details.
RECOMMENDATION 4.3 *The audit committee should have a formal charter.*	The Board has established a formal charter for the Audit and Risk Committee.
RECOMMENDATION 4.4 *Companies should provide the information indicated in the Guide to reporting on Principle 4.*	The Audit and Risk Committee oversees the structure and integrity of the Group's financial reporting. Refer to page 46-47 of this report for details of the members of the Audit and Risk Committee including their qualifications. Refer to page 52 of this report for details of meetings of the Audit and Risk Committee. There have been no departures from recommendations 4.1, 4.2, 4.3 or 4.4.

PRINCIPLE 5 - MAKE TIMELY AND BALANCED DISCLOSURE

RECOMMENDATION 5.1 *Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.*	The Group has established a number of policies designed to ensure compliance with ASX Listing Rule disclosure requirements including "Continuous Disclosure, Media and Public Comments Policy", "Delegations of Authority Policy", and "Communications Procedure". The policies referred to above ensure: **1.** Full and timely disclosure to the ASX. **2.** Procedures are in place to ensure the Group identifies information required to be disclosed to the ASX and that such information is disclosed in a clear and factual manner. **3.** External presentations, media releases and other public statements are reviewed internally and, where necessary, released to the ASX in advance of being provided to third parties (unless an ASX Listing Rule exception applies). **4.** The ability of persons to make public comment is clearly delineated to certain nominated persons, primarily the Managing Director, Norbert Sasse and Estienne de Klerk. **5.** Where an external statement has not been signed off by the Board, it is signed off by a nominated delegate of the Board. **6.** All directors and employees are aware of their obligations to ensure the Group complies with the ASX Listing Rules and of the limits of their respective authority. As Growthpoint Properties Limited (SA) is the major shareholder of Growthpoint Properties Australia Limited and the major unitholder of Growthpoint Properties Australia Trust, the Group's board has resolved that the Group's employees may provide confidential information to Growthpoint Properties Limited on request subject to several exceptions including where the Board directs otherwise and where the disclosure would breach any law (including the ASX Listing Rules). Growthpoint Properties Limited has, among other things, agreed to ensure it complies at all times with the requirements of Australian law (including the ASX Listing Rules).

RECOMMENDATION 5.2 *Companies should provide the information indicated in the Guide to reporting on Principle 5.*	There have been no departures from recommendations 5.1 or 5.2.

PRINCIPLE 6 - RESPECT THE RIGHTS OF SHAREHOLDERS

RECOMMENDATION 6.1

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Given the relatively small number of securityholders in the Group, the Board has not established a specific policy promoting effective communication with securityholders.

Instead, the Group has adopted a number of "old media" and "new media" strategies to engage with securityholders including:

1. (**Mail**) Sending an "Investor Update" to all securityholders to update them on the Group's developments recognising that less than half of the Group's securityholders have elected to receive annual and half-year reports for the Group including this report and that such reports are, partly due to regulatory requirements, lengthy documents.
2. (**Telephone**) Establishing an investor services line providing investors with a number to connect directly to the Group (the cost to Australian callers is the cost of a local call). The Group ensures that a trained telephone operator is available to answer calls to this line during business hours in Melbourne and that management is available to assist with more complicated information requests.
3. (**Mail and email**) Creating a property portfolio booklet detailing the Group's property investments. Investors who have not elected to receive annual reports but who would like to receive a copy of this booklet can request a copy by calling the investor services line on 1800 260 453 or by emailing their request to info@growthpoint.com.au.
4. (**Internet**) Providing fulsome details of the Group and its investment portfolio, directors, executives, key investment policies and distributions as well as detailed investor presentations and other ASX announcements via its website, www.growthpoint.com.au.
5. (**Email**) From time to time, the Group will email securityholders copies of key ASX announcements. Securityholders who would like to be included in the email distribution list can provide their email address to the Group's share registry, Computershare, or can email a request to info@growthpoint.com.au.

The above are continually evaluated by the Board and management of the Group to ensure securityholders receive appropriate communication.

Due to changes in the make-up of the Group's securityholder register and to facilitate increased securityholder participation and attendance at annual general meetings, the Group held its 2011 annual general meeting in Sydney and intends to hold its 2012 annual general meeting in Brisbane.

The Board does not currently believe it to be in the interests of securityholders as a whole to utilise webcasting or similar mass communication means bearing in mind the relatively small number of securityholders and the costs involved in such communications.

RECOMMENDATION 6.2

Companies should provide the information indicated in the Guide to reporting on Principle 6.

The departures from recommendation 6.1 and the reasons for such departures are listed above.

The Group will continue to communicate with securityholders through:

1. Direct mail outs of its "Investor Updates" to all securityholders.
2. Direct mail outs of annual reports, half year reports and property portfolio reports to securityholders who elect to receive them.
3. Providing fulsome details of the Group and its investment portfolio, directors, executives, key investment policies and distributions as well as detailed investor presentations and other ASX announcements via its website, www.growthpoint.com.au.
4. Emailing copies of key ASX announcements to securityholders who have provided their email address to the Group in the manner noted above.

PRINCIPLE 7- RECOGNISE AND MANAGE RISK

RECOMMENDATION 7.1

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

The Group has the following polices in place for the oversight and management of material business risks:

1. Delegations of Authority Policy – prescribing limits of authority for individual directors and management.
2. Investment policies – details are available at www.growthpoint.com.au.
3. Business Continuity Plan.
4. Disaster Recovery Plan.
5. Valuation Policy – requires directors' valuations and external valuations of the Group's real properties not less than every 6 months and every 3 years, respectively. This policy also provides guidance for valuation principles and the appointment and rotation of external valuers.
6. Compliance Plan – outlines key compliance objectives, risks and measures.
7. Operational Compliance Manual – provides guidance to all employees on day-to-day operational compliance practices and procedures.

The Audit and Risk Committee is primarily responsible for the review of the effectiveness of the risk management and internal control process.

RECOMMENDATION 7.2

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Due to the small number of Group employees and the external audits of:

1. the Group's external property manager's accounts;
2. the Group's consolidated accounts;
3. the Trust's accounts;
4. the Company's accounts;
5. the Trust's compliance plan; and
6. the Company's compliance with its Australian Financial Services Licence requirements,

the Board does not believe a dedicated internal audit function is currently required.

The Audit and Risk Committee provides risk oversight for the Group although ultimate responsibility for risk oversight remains with the Board. The Board has approved a risk management framework formulated by management and the Audit and Risk Committee.

The Compliance team oversees the compliance framework within which the Group operates and it reports on its adequacy and effectiveness on a quarterly basis to the Group's Managing Director, Company Secretary and the Compliance Committee.

RECOMMENDATION 7.3

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

The Board received assurance from the Managing Director (being the person acting in the capacity as chief executive officer) and the Chief Financial Officer that the declaration provided in accordance with section 295A of the Corporations Act 2001 (Cth) for the consolidated accounts for the Group dated 20 August 2012 and included in this report is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

RECOMMENDATION 7.4

Companies should provide the information indicated in the Guide to reporting on Principle 7.

There have been no departures from recommendations 7.1 or 7.3. The departures from recommendation 7.2 and the reasons for such departures are listed above.

PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

RECOMMENDATION 8.1 *The board should establish a remuneration committee.*	The Board has established a Nomination, Remuneration and HR Committee. Refer to page 52 of this report for more details. The Board has established a charter for the Nomination, Remuneration and HR Committee which is the primary written policy for the Group's remuneration policy.
RECOMMENDATION 8.2 *The remuneration committee should be structured so that it:* › *consists of a majority of independent directors* › *is chaired by an independent chair* › *has at least three members.*	The Nomination, Remuneration and HR Committee comprises three members, all of whom are non-executive directors and a majority of whom are independent directors. The Chairman of the Committee, Norbert Sasse, is the Chief Executive Officer of the Group's major securityholder, Growthpoint Properties Limited, and is therefore not deemed to be an independent director. The Board has determined that Norbert Sasse's appointment as the Chairman of the Nomination, Remuneration and HR Committee is appropriate having regard to: **1.** The small number of directors and their existing responsibilities. **2.** The reason for Norbert Sasse not being deemed to be independent (i.e. his role as CEO of the Group's major securityholder) is unlikely to have any adverse impact, from securityholders' perspective, on his role in determining executive remuneration. **3.** The interest of Growthpoint Properties Limited wanting to ensure executives are remunerated appropriately and in a manner which maximises securityholder value is aligned with the interests of other securityholders. **4.** The Committee comprises a majority of independent directors. Refer to page 52 of this report for more details on the Nomination, Remuneration and HR Committee. No employees are involved in determining their own remuneration.
RECOMMENDATION 8. 3 *Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.*	Non-executive directors are entitled to receive an annual fee (including superannuation where applicable) and are not eligible for any other form of remuneration from the Group. Refer to page 60-61 of this report for more details of non-executive director remuneration. The only executive director, Timothy Collyer, is entitled to receive an annual salary, superannuation, insurance and an annual short term incentive bonus and is also eligible to participate in the Group's employee share plan (subject to securityholder approval). Refer to page 60-61 of this report for more details of executive director remuneration. Executives who are not directors are entitled to receive an annual salary, superannuation, insurance and an annual short term incentive bonus and are also eligible to participate in the Group's employee share plan. Refer to page 60-61 of this report for more details of executive remuneration.
RECOMMENDATION 8.4 *Companies should provide the information indicated in the Guide to reporting on Principle 8.*	Refer to pages 46-47 of this report for details of the members of the Nomination, Remuneration and HR Committee including their experience and qualifications. Also refer to page 52 of this report for details of meetings of the Nomination, Remuneration and HR Committee. Non-executive directors are not entitled to any termination benefits from their loss of office. The charter for the Nomination, Remuneration and HR Committee and details of the Group's investment policies are available on the Group's website, www.growthpoint.com.au.

Sustainability report

› **The Group has a commitment to limiting the impact of its activities on the natural environment.**
› **In its recent acquisitions, the Group has actively focussed on acquiring office properties which carry high green ratings.**

CORPORATE RESPONSIBILITY AND SUSTAINABILITY

Despite being one of the fastest growing property groups in Australia[1], the Group is committed to limiting the impact of its activities on the natural environment.

In choosing to measure, monitor and report on its impact on the natural environment, the Group seeks to:

1. works towards achievement of best practice in sustainability;
2. ensure its directors and employees are aware of the Group's impact on the natural environment;
3. develop practices and policies which take into account sustainability; and
4. demonstrate its commitment to sustainability.

PROPERTY PORTFOLIO

Around 77% of the Group's office portfolio (by net lettable area) has been rated by the National Australian Built Environment Rating System ("NABERS energy rating"). The average NABERS energy rating of properties rated is 3.0 stars (by net lettable area). The Group has a program in place to increase the ratings and/or achieve high ratings for currently unrated properties over time. However, the Group will seek to balance its sustainability goals with distributions to securityholders, tenant retention and prudent asset management. As a result, this program is likely to take several years to implement and a majority of improvements will be made together with new leases or lease renewals.

OFFICE PROPERTY DEVELOPMENTS

The Group has entered into two Delivery Agreements to procure the development of two "new generation" green A-Grade office buildings at 1231-1241 Sandgate Road, Nundah, Queensland and 219-247 Pacific Highway, Artarmon, New South Wales targeting, respectively, 4.5 star and 5 star NABERS energy ratings and both are expected to achieve 5 star Green Star ratings. The property in Nundah has already achieved a 5 star Green Star design rating and an application for the Artarmon property is currently being submitted to achieve the same.

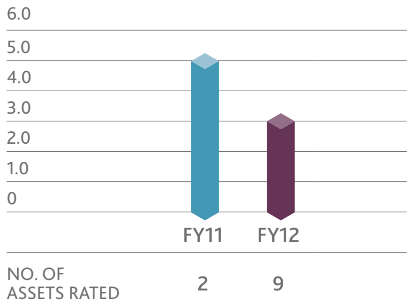
GREEN STAR RATINGS

In its recent acquisitions, the Group has actively focussed on acquiring office properties which carry high energy (ie. energy efficient) ratings (measuring actual energy consumption) as well as high green star ratings (which measure inherent sustainability of a building).

Currently 29% of the Group's office portfolio (by net lettable area) is green star rated by the Green Building Council of Australia as compared to only 10% as at 30 June 2011. The average green star rating is 4.5 stars (net lettable area) which is a small decrease from the average of 5 stars at 30 June 2011, however, this reflects the significant growth in the office portfolio rather than a decline in like-for-like ratings.

Upon completion of the construction of the Energex Nundah and Gore Hill buildings (expected by the end of December 2012), 42% of the office portfolio (by net lettable area) is expected to be rated with an average Green Star rating of 4.7 stars.

AVERAGE NABERS ENERGY RATINGS *(Stars)*



AVERAGE GREEN STAR RATINGS *(Stars)*

Note that the Green Star ratings in this section cover design and "as-built" ratings as applicable.

OFFICE PROPERTY	NABERS ENERGY RATINGS (STARS)	GREEN STAR RATINGS (STARS)
CB1-22 Cordelia Street, South Brisbane, Queensland	3.5	Not rated
CB2-42 Merivale Street, South Brisbane, Queensland	2.5	Not rated
A4-52 Merivale Street, South Brisbane, Queensland	5.0	Not rated
A1-32 Cordelia Street, South Brisbane, Queensland	4.5	Not rated
7 Laffer Drive, Bedford Park, South Australia	3.0	Not rated
333 Ann Street, Brisbane, Queensland	2.5	4.0
89 Cambridge Park Drive, Cambridge, Tasmania	2.5	5.0
10-12 Mort Street, Canberra	Not rated[2]	Not rated
Worldpark:01, 33- 39 Richmond road, Keswick, South Australia	Not rated[3]	5.0
GE Buildings 1&3 -572-576 Swan Street, Richmond, Victoria	Not rated	Not rated
GE Building 2 -572-576 Swan Street, Richmond, Victoria	3.5	Not rated

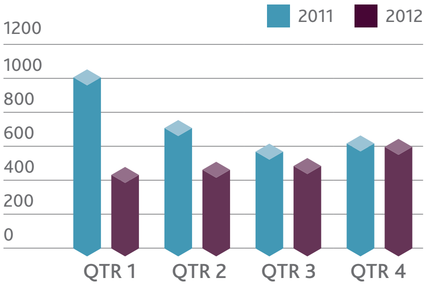
1. Source: ASX filings for S&P/ASX 300 A-REITs
2. The property has recently completed a major refurbishment, during which time the 4.5 star NABERS Energy Rating lapsed, the property is anticipated to maintain or improve this rating when able to be assessed following 12 months use (expected June 2013).
3. An application has been submitted to the National Australian Built Environment authority and a 5 star NABERS Energy Rating is anticipated on initial modelling.

HEAD OFFICE ENERGY CONSUMPTION

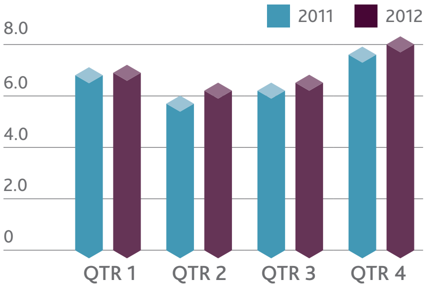
Although the Group's total greenhouse emissions arising from head office energy increased by around 5.1% from FY 2011 to FY 2012, the Group's average head office energy consumption per employee reduced by approximately 28% over the same period.

The Group is seeking to accommodate itself in more energy efficient premises during the current financial year which should result in the average head office energy consumption per employee reducing further. It is expected that the new premises will include a number of energy saving features such as sensor lights, greater insulation and more efficient electric appliances.

AVERAGE HEAD OFFICE ENERGY CONSUMPTION
(KWH per employee)



ENERGY GREENHOUSE GAS EMISSIONS
(tonnes)



▲ **FIVE STAR PROPERTY**

A4, 52 MERIVALE ST, SOUTH BRISBANE, QLD The SW1 complex is one of Brisbane's premier office locations. In 2011, this development won the Australian Award for Urban Design.

AUSTRALIA AWARD FOR Urban Design 2011

Social governance

› **Growthpoint Properties Australia values the passion and diversity of its people, including its directors, employees and contractors, and is committed to continuing to invest in them.**

The Group's values drive its success and help to set minimum standards of behaviour for its people. In particular, the Group has attempted to imbed the following values in all aspects of its operations:

- actions are governed by the highest standards of integrity, fairness and respect;
- decisions are made in accordance with all applicable laws, regulations and policies; and
- business is conducted honestly and ethically using the best possible skills and judgement for the benefit of securityholders, employees and other stakeholders.

The Group is aware of the importance of constantly reinforcing and communicating these values to its employees, securityholders, stakeholders and the broader financial community.

EMPLOYEE ENGAGEMENT

As at 30 June 2012, the Group employed 10 people all of whom are located at the head office in Melbourne's CBD. During the year, an Asset Manager and an additional executive assistant were employed.

In April 2012, an Employee Engagement Survey was conducted for the first time through an external survey provider. The aim of the survey was to provide the board and senior executives with feedback on matters such as the Group's strategy, employee engagement, equality, employee benefits and employee recognition. All employees were invited to participate in the survey except for the Managing Director and a 100% participation rate was achieved.

Employees responded favourably to questions which dealt with all aspects of the Group's operations and management, teamwork, strategy, policies, morale, procedures, benefits and performance seeing a rating of 70% and above. Refer to the right hand column of this page for a summary of the results of this survey. The only two areas that received a response below 70% approval were "compensation" and "career progression". Strategies to address those two areas are being developed by the Managing Director and the Nomination, Remuneration & HR Committee.

DIVERSITY

As part of the Group's on-going commitment to diversity, the board appointed its first female director, Maxine Brenner, in March 2012. Ms Brenner was also appointed Chair of the Audit & Risk Committee. The Board believes that having a diverse workforce enhances decision making processes, increases its engagement with the community and provides the Group with an edge over its competitors.

See the graph at right for the proportion of women across the Group.

EMPLOYEE BENEFITS

Employees of the Group receive the following benefits:

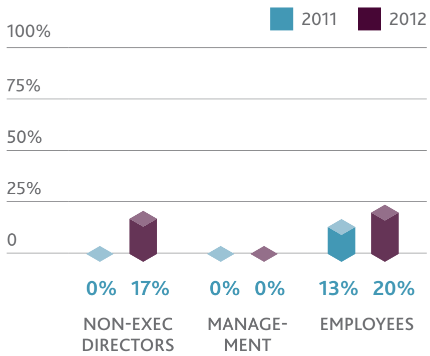
- support to join, and be actively involved with, relevant professional bodies (refer to the next page for a list);
- life, total permanent disability and income protection insurance;
- on-going training and study support;
- smartphone and, where required, a laptop computer; and
- flexible working arrangements to maintain a balance between work, life and family interests and commitments.

HEALTH AND SAFETY

The Group promotes a high level of health and safety as evidenced by the following initiatives:

- monthly health and safety meeting;
- maintenance of a "Register of Work Place Injuries";
- provision of safety equipment to employees and guests visiting potentially hazardous sites such as those under construction;
- attendance at St John's Emergency First aid and Cardio Pulmonary Resuscitation training by three employees during the year; and

PERCENTAGE OF WOMEN ACROSS THE GROUP *(as at 30 June)*



EMPLOYEE ENGAGEMENT SURVEY *(as at 30 June 2012)*

The table below sets out measurable objectives set by the Board to for achieving gender diversity and the Group's achievements to date.

OBJECTIVE	PERFORMANCE FOR 12 MONTHS TO 30 JUNE 2012
Appoint at least one female director to the board	*Maxine Brenner appointed as a director and as Chair of the Audit & Risk Committee in March 2012.*
Providing work experience opportunities to female graduates and undergraduates to encourage greater female involvement and participation in the property industry	*The Group continued to make work experience generally available to female graduates and undergraduates by advertising this opportunity on its website and directly approaching RMIT. However, no applications have been received to date.*
All employment vacancies are advertised to women and men and interviews to include at least one serious female and one serious male candidate	*For both permanent employee vacancies filled during the year, the selection team interviewed at least one serious female candidate and one serious male candidate and one new male and one new female employee was appointed.*
Female employees and other women are to be invited to our events and activities to assist them to build relationships in, and with, the Group and the property industry	*The Group has increased the number of events it holds which are open to all employees given both of its female employees are not currently in management. The Group has also focussed on ensuring employees engage and network with females working in and for the property industry particularly with women at Jones Lang LaSalle and Freehills.*

Growthpoint Properties Australia strives to make a positive impact in communities in which we operate by limiting harm, increasing diversity and engagement with the wider community.

Maxine Brenner / **Director and Chair Audit & Risk Committee**

- participation in building emergency and evacuation procedures and assistance in developing related protocols.

No injuries were recorded during the year.

COMMUNITY

Following the 2011 Brisbane floods, the Group provided a donation of $10,000 to the Queensland Premier's Disaster Relief Fund.

The Group encourages participation in sports events and in 2012 six employees of the Group (representing 60% of employees) participated in the Nissan Corporate Triathlon.

The Group supports active engagement by its employees in professional, community and charitable activities. The Group and/or its employees had an active involvement with the following organisations during the year:

Professional

- Association of Chartered Certified Accountants
- Australian Institute of Company Directors
- Australian Property Institute
- Chartered Secretaries Australia
- CPA Australia
- Financial Services Institute of Australasia
- Royal Institution of Chartered Surveyors
- Property Council of Australia

Community and Charitable

- Anglicare – Emergency Relief Program
- Care Australia
- Leo Cussen Institute
- Midsumma Festival
- Multiple Sclerosis Society
- Phunktional

The Group is committed to expanding its community/charity program to enable increased engagement with, and support for, relevant community/charitable organisations.

In 2012/2013, the Group intends to implement a "Growthpoint Volunteering Day" which will allow all employees to participate in volunteer work with a community/charitable organisation.

The Board of Directors

› **During the fiscal year the Group appointed Maxine Brenner as its first female board member and farewelled David Spruell who had been a director since the Trust's listing in 2007.**

The Board comprises seven directors. Six directors are non-executive and four are independent.

LYN SHADDOCK

FAPI

Independent Chairman and Director

Committees: *Compliance (Chairman); Nomination, Remuneration & HR*

Appointed as a Director on 5 August 2009

Lyn has over 50 years' experience in the property industry and has been involved with developments in Sydney, Melbourne, Brisbane, San Francisco and Kuala Lumpur, including many from inception to completion. His experience spans a range of business conditions and economic cycles.

Among other memberships, Lyn was a member of Sydney's Central Planning Committee (responsible for planning Sydney and administering major development approvals) from 1989 to 1993, the New South Wales Heritage Council from 1987 to 1991 and the New South Wales Executive of the Property Council from 1971 to 1991. In addition to being awarded honorary life membership of the Property Council of Australia (both nationally and in New South Wales), Lyn served as the President of New South Wales Division from 1980 to 1983 and Honorary Director and Chairman of the National Finance Committee from 1988 to 1996.

Lyn has served on numerous boards and committees and, in addition to his roles with the Group, he is Independent Chairman of Calibre Capital. Lyn has been the Chairman of the responsible entity of the Trust (including Growthpoint Properties Australia Limited and Growthpoint Properties Australia Limited's predecessor) since the listing of the Trust in July 2007.

TIMOTHY COLLYER

B.BUS (PROP), GRAD DIP FIN & INV, AAPI, F FIN, MAICD

Managing Director

Appointed as a Director on 12 July 2010

Tim is a highly experienced executive with over 24 years' experience in ASX listed and unlisted property funds management, property investment and development, property valuation and property advisory. During his career Tim has been involved with numerous corporate transactions including mergers, acquisitions, takeovers, recapitalisations and property portfolio purchase and disposals.

Tim has worked across the office, industrial and retail property sectors in all States and Territories in Australia. He previously served as the Property Trust Manager at Australand Property Group for a period of six years where he was responsible for the management of its listed and unlisted property trusts. Tim has also held management positions at Heine Funds Management, where he was responsible for the management of an ASX listed A-REIT office fund, and at a major accounting firm within its real estate advisory group.

Tim holds a Bachelor of Business (Property) and a Graduate Diploma in Applied Finance and Investment. He is also an Associate of the Australian Property Institute, a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

MAXINE BRENNER
BA, LLB

Independent Director

Committees: *Audit & Risk Committee (Chair)*

Appointed as a Director on 19 March 2012

Maxine is currently a Managing Director in Investment Banking at Investec Bank (Australia) Ltd. She has been involved in advisory work for many years, particularly in relation to mergers and acquisitions. Prior to this , she was a Lecturer in Law at University of NSW and corporate lawyer at Freehills. Her former directorships include Treasury Corporation of NSW, Neverfail Springwater Ltd, Federal Airports Corporation and Bulmer Australia Ltd. In addition, Maxine has also served as a member of the Takeovers Panel.

ESTIENNE DE KLERK
BCOM (INDUSTRIAL PSYCH), BCOM (HONS) (MARKETING), BCOM (HONS) (ACC), CA (SA)

Director *(not deemed independent as Executive Director of Growthpoint Properties Limited)*

Committees: *Audit & Risk*

Appointed as a Director on 5 August 2009

Estienne is an Executive Director of Growthpoint Properties Limited, a Director of V&A Waterfront Holdings, President elect and a Director South African Property Owners Association, Chairman of the Audit Committee of the South African Property Owners Association and Chairman of South Africa's Property Loan Stock Association REIT legislation committee. He has over 17 years' experience in banking and property finance and has been involved with listed property for over 10 years with Growthpoint's mergers, acquisitions, capital raisings and operating service divisions.

GRANT JACKSON
ASSOC. DIP. VALUATIONS, FAPI

Independent Director

Committees: *Audit & Risk, Compliance*

Appointed as a Director on 5 August 2009

Grant has over 26 years' experience in the property industry, including over 23 years as a qualified valuer. Grant has expertise in a wide range of valuation and property advisory matters on a national basis and he regularly provides expert evidence to Courts and Tribunals. He is a member of the Divisional Professional Board of the Australian Property Institute.

FRANCOIS MARAIS
BCOM, LLB, H DIP (COMPANY LAW)

Independent Director

Committees: *Compliance; Nomination, Remuneration & HR*

Appointed as a Director on 5 August 2009

Francois is an attorney and is the practice leader and senior director of Glyn Marais, a South African corporate law firm which specialises in corporate finance. Francois is Chairman of Growthpoint Properties Limited in South Africa, as well as chairman of a venture capital company.

NORBERT SASSE
BCOM (HONS) (ACC), CA (SA)

Director *(not deemed independent as CEO of Growthpoint Properties Limited)*

Committees: *Nomination, Remuneration & HR (Chairman)*

Appointed as a Director on 5 August 2009

Norbert is the Chief Executive Officer and a Director of Growthpoint Properties Limited. He has over 20 years' experience in corporate finance dealing with listings, delistings, mergers, acquisitions and capital raisings, and over 10 years' experience in the listed property market.

DAVID SPRUELL
B.COM. (HONS), FAICD, F FIN

Independent Director

Committees: *Audit & Risk (Chairman)*

Appointed as a Director on 5 August 2009, resigned on 19 March 2012

David has 40 years' experience in investment management and financial services in the United Kingdom and Australia, including senior roles at Prudential and Allianz Australia. David is chairperson of the Workers Compensation Insurance Fund Investment Board in New South Wales.

Employees

› **The management team comprises highly experienced and skilled property professionals with in-depth knowledge of the Australian property market and the existing properties in the Trust.**

TIMOTHY COLLYER

B.BUS (PROP), GRAD DIP FIN & INV, AAPI, F FIN, MAICD

Managing Director

Tim is a highly experienced property executive with over 24 years' experience in listed and unlisted property funds management, property investment and development, property valuation and property advisory.

Tim has worked across the office, industrial and retail property sectors in all States and Territories in Australia. He previously served as the Property Trust Manager at Australand Property Group for a period of six years where he was responsible for the management of its listed and unlisted property trusts. Tim has also held management positions at Heine Funds Management, where he was responsible for the management of an ASX listed A-REIT office fund, and at a major accounting firm within its real estate advisory group.

Tim holds a Bachelor of Business (Property) and a Graduate Diploma in Applied Finance and Investment. He is also an Associate of the Australian Property Institute, a Fellow of the Financial Services Institute of Australasia and a member of the Australian Institute of Company Directors.

AARON HOCKLY

BA, LLB, GDLP, GRADDIPACG, FCIS, MAICD, FCSA

Company Secretary and General Counsel

Aaron is responsible for the investor relations, transaction structuring and execution, company secretarial, legal and compliance functions of Growthpoint Properties Australia.

Aaron has over 12 years' experience in corporate governance, financial services, corporate and commercial law, property finance and M&A. Immediately prior to joining the group, Aaron was Assistant Company Secretary and Legal Counsel of Aviva Australia and before that he worked in private legal practice in London, Melbourne, Adelaide and New Zealand.

Aaron holds a Bachelor of Laws and a Bachelor of Arts from the University of Auckland, a Graduate Diploma in Legal Practice from the College of Law (Sydney), a Graduate Diploma in Applied Corporate Governance from Chartered Secretaries Australia and a Graduate Diploma in Applied Finance from Kaplan Professional. He is a Fellow of Chartered Secretaries Australia, a Fellow of the Institute of Chartered Secretaries and Administrators, a member of the Australian Institute of Company Directors and is currently completing a Master in Applied Finance. He has been a director and chairman of a number of not-for-profit organisation and is currently a director of large arts festival. In 2012, Aaron was a finalist for "The Legal People Corporate Counsel Award".

DION ANDREWS

B.BUS, FCCA

Chief Financial Officer

Dion is a Chartered Accountant and is responsible for the financial reporting obligations of the Group as well as debt structuring, raising debt capital and technology. He has over 12 years' experience in accounting roles in a corporate capacity. Prior to moving to the Group, Dion spent five years at a listed property funds group, MacarthurCook, as Senior Finance Manager and before that held the role of Group Accountant for a funds management group in London. Dion holds a Bachelor of Business from the University of South Australia and is a fellow of the Association of Certified Chartered Accountants.

Additional property expertise and resources may be added to the Stapled Group to complement the existing management team as required.

MICHAEL GREEN

B.BUS (PROP)

Portfolio Manager

As Portfolio Manager, Michael oversees the asset selection, asset management and property analysis functions of the Group.

Michael has over 10 years' experience in listed and unlisted property fund management, property investment and development, both in Australia and Europe. Michael was previously based in London and worked as a transaction manager for Cordea Savills. Michael was responsible for acquisitions and asset management in the BENELUX region for Cordea Savills Pan European Funds. Prior to moving to Europe, he spent four years as a property analyst for Australand's listed and unlisted property trusts.

Michael holds a Bachelor of Business (Property) and is currently completing a Masters of Applied Finance.

THE GROWTHPOINT TEAM *(Back row from L to R)* Timothy Collyer - Managing Director, Kylie Pett - Executive Assistant, Anelia Blane - Executive Assistant, Andrew Fitt - Asset Manager (Industrial), Michael Green - Portfolio Manager, Pascal Moutou - Accountant, Andrew Kirsch - Property Analyst. *(Front row from L to R)* Dion Andrews - Chief Financial Officer, Michael Davy - Compliance Officer, Aaron Hockly - Company Secretary and General Counsel.

MANAGEMENT AND REPORTING STRUCTURE

MANAGING DIRECTOR
TIMOTHY COLLYER*

PORTFOLIO MANAGER MICHAEL GREEN*	CHIEF FINANCIAL OFFICER DION ANDREWS*	COMPANY SECRETARY / GENERAL COUNSEL AARON HOCKLY*
Asset selection strategy	*Accounting*	*Transaction structuring and execution*
Office portfolio	*Technology*	*Legal, regulatory & compliance*
Industrial portfolio	*Taxation*	*Investor Relations*
Valuations	*Debt Structuring*	*Marketing, communications & reporting*
Sustainability	*Debt Raising*	*Risk Management and Corporate Governance*
Asset Management		*Information Management*

*Member of Executive Management Team.

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 10, 379 Collins Street, Melbourne, Victoria, 3000.

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 20 August 2012. The directors have the power to amend and reissue the financial report.

References to "the year" in this report refer to the year ended 30 June 2012 unless the context requires otherwise.

References to "balance date" in this report refer to 30 June 2012 unless the context requires otherwise.

▶ **QUALITY TENANTS**

120 NORTHCORP BLVD, BROADMEADOWS, VIC A modern purpose-built distribution centre fully leased to Woolworths until 2021.

Financial Report

By growing revenue, reducing the average cost of debt and keeping our expense ratio low, we have ensured securityholders continue to receive growing distributions.


Dion Andrews / Chief Financial Officer

Directors' Report

For the year ended 30 June 2012

The Directors of Growthpoint Properties Australia Limited ACN 124 093 901 ("the Company"), being the Responsible Entity of Growthpoint Properties Australia Trust ARSN 120 121 002 ("the Trust"), present their report for Growthpoint Properties Australia ("the Group") consisting of the Company and the Trust and its controlled entities, for the year ended 30 June 2012.

The shares of the Company and the units of the Trust are stapled and issued as stapled securities. The shares of the Company and the units of the Trust cannot be traded separately and can only be traded as stapled securities.

DIRECTORS

The following persons were Directors of the Company during the whole of the year and up to the date of this report (unless otherwise stated):

- **Lyn Shaddock**
  Independent Chairman and Director
- **Timothy Collyer**
  Managing Director
- **Maxine Brenner**
  Independent Director
  (appointed 19 March 2012)
- **Estienne de Klerk**
  *Director**
- **Grant Jackson**
  Independent Director
- **Francois Marais**
  Independent Director
- **Norbert Sasse**
  *Director^*
- **David Spruell**
  Independent Director
  (resigned 19 March 2012)

*Not deemed independent as Executive Director of Growthpoint Properties Limited

^ Not deemed independent as CEO of Growthpoint Properties Limited

NUMBER OF MEETINGS ATTENDED / ELIGIBLE TO ATTEND

	Board	Audit & Risk Committee	Compliance Committee	Nomination, Remuneration & HR Committee
L. Shaddock	7/7	0/0	4/4	4/4
D. Spruell	5/5	3/3	2/0	0/0
G. Jackson	7/7	4/4	4/4	0/0
F. Marais	7/7	0/0	4/4	4/4
N. Sasse	7/7	0/0	1/0	4/4
E. de Klerk	7/7	4/4	1/0	0/0
T. Collyer	7/7	4/0	4/0	3/0
M. Brenner	2/2	1/1	1/0	0/0

Note: 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 committees above. The Managing Director temporarily absents himself from meetings where certain matters, such as his remuneration, are discussed.

Refer to pages 46-47 of this report for professional details of the Directors.

COMPANY SECRETARY

The following person acted as Company Secretary of the Company during the whole of the year and up to the date of this report:

Aaron Hockly BA, LLB, GDLP, GradDipACG, FCIS, MAICD, FCSA

Appointed Company Secretary on 13 October 2009 .

Refer to page 48 of this report for professional details of the Company Secretary.

MEETINGS OF DIRECTORS

The following table sets out the number of meetings of Directors held during the year ended 30 June 2012 and the number of meetings attended by each Director of Growthpoint Properties Australia Limited ("GPAL"), the Responsible Entity of the Trust.

NUMBER OF MEETINGS HELD

Board	7
Audit & Risk Committee	4
Compliance Committee	4
Nomination, Remuneration & HR Committee	4

The Company established an Audit Committee (later renamed Audit & Risk Committee) upon its appointment as responsible entity of the Trust on 5 August 2009. The initial members of the Audit & Risk Committee were Messrs Spruell (Chair), de Klerk and Jackson. The current members are Maxine Brenner (Chair) and Messrs de Klerk and Jackson.

The Company established a Compliance Committee upon its appointment as responsible entity of the Trust on 5 August 2009. The initial and current members of the Compliance Committee are Messrs Shaddock (Chair), Marais and Jackson.

On 11 February 2010, the Company established a Nomination, Remuneration & HR Committee. The initial and current members of the Nomination, Remuneration & HR Committee are Messrs Sasse (Chair), Shaddock and Marais.

In addition to the above, the Board from time to time established special purpose committees to undertake specific activities such as due diligence and the approval/ finalisation of documents. Messrs Jackson, Collyer, Sasse and de Klerk, as well as the Company Secretary, the Chief Financial Officer and external advisers, were at times members of these committees with meetings being attended by the foregoing as well as other directors.

PRINCIPAL ACTIVITY

The principal activity of the Group is property investment. There has been no significant change in the nature of this activity during the year.

CONSOLIDATED RESULT

The consolidated net profit after tax for the year attributable to the members of the Group was $49,487,000 (2011: $43,373,000).

REVIEW OF OPERATIONS

During the year, the Group continued its strategy of investment in a portfolio of quality income producing real estate assets located within Australia. At the close of 30 June 2012, the Trust held interests in a portfolio of 39 investment properties.

The result for the year was a net profit after tax of $49,487,000. Some of the key financial points are as follows:

- Property revenue of $124,005,000 (2011: $88,419,000).
- Property fair value gains (including adjustment for straight-line rental receivable) of $30,117,000 (2011: loss of $3,965,000).
- An unrealised loss of $28,001,000 (2011: net gain of $2,841,000) due to the decrease in the fair value of the Group's interest rate swaps.
- Earnings per stapled security of 15.2 cents (2011: 21.5 cents).
- Distributions to securityholders of $57,383,000 (2011: $36,480,000) and distributions per stapled security of 17.6 cents (2011: 17.1 cents).
- Total assets of $1,607,082,000 (2011: $1,190,110,000).
- Net assets of $733,242,000 (2011: $478,564,000) and net tangible assets (NTA) per stapled security of $1.93 (2011: $2.01).
- Management Expense Ratio or "MER" for the year ended 30 June 2012 was 0.41% (2011: 0.44%). Refer to note 10 to the accounts.

These accounts have been prepared on a going concern basis and, where fair values have been applied, assume that the relevant assets would be sold between willing parties in an orderly sale process. References to "net tangible assets" or "NTA" have been derived with this in mind and do not take into account, for example, the tax impact from capital gains or losses for the Group or any of its constituent entities nor the financial or tax circumstances of any securityholder of the Group. As a result, "net tangible assets" or "NTA" does not necessarily reflect the amount expected to be distributed to securityholders in a winding up of the Group or of any of its constituent entities. The board and management regularly consider the Group's assets both in terms of their value and their growth potential and intend for the Group to continue as a going concern.

Key achievements during the period were:

- A $102.6 million rights offer completed in July 2011. Proceeds were used to support the takeover of the previously ASX listed property trust Rabinov Property Trust ("RBV") and to partially fund the acquisition of a site for the construction of an office building in Nundah, Queensland (refer below for more details).
- Completion of the takeover of RBV occurred in August 2011. At the time the takeover completed, RBV comprised four office properties and two industrial properties with a combined value of $184 million. The takeover offer consideration was the Group's stapled securities and 98.97% of RBV unit holders accepted during the offer period, with the remaining 1.03% of units compulsorily acquired by the Group in August 2011.
- Also in August 2011, the Group completed its acquisition of land in Nundah, Queensland. The Group has engaged Property Solutions Group to develop a "new generation" 12,910 square metres office building on this site. The building is under construction as at the date of this report and has been fully pre-leased to quality tenants including Queensland State Government electricity entities, Energex and Powerlink. The total cost to the Group by completion, which is expected to occur in November 2012, will be approximately $77.9 million (excluding transaction costs).
- The Group agreed a new ten year lease for its premises at 130 Sharps Road, Tullamarine, Victoria with the existing tenant, The Laminex Group (a subsidiary of NZSE and ASX listed Fletcher Building) in August 2011. The tenancy, which comprises a modern, high quality office, showroom and warehouse of 28,100

$124,005,000

in property revenue *(2011: $88,419,000).*

$30,117,000

in property fair value gains *(including adjustment for straight-line rental receivable (2011: loss of $3,965,000).*

$28,001,000

in unrealised losses *due to the decrease in the fair value of the Group's interest rate swaps (2011: net gain of $2,841,000).*

15.2 cents

Earnings per stapled security *(2011: 21.5 cents).*

$57,383,000

in distributions to securityholders *(2011: $36,480,000) and distributions per stapled security of 17.6 cents (2011: 17.1 cents).*

$1,607,082,000

Total assets *(2011: $1,190,110,000).*

$733,242,000

Net assets *(2011: $478,564,000) and net tangible assets (NTA) per stapled security of $1.93 (2011: $2.01).*

square metres, was due to expire in June 2012 and represents 2% of the Group's annual rental income. The lease was extended to June 2022 with a commencing rent of approximately $2.5 million per annum; a 3.5% rent increase on the prior rent.

- The Group sold its property at 1304 Ferntree Gully Road, Scoresby, Victoria in November 2011 for $5.2 million, its 30 June 2011 book value, with net proceeds being used to reduce debt.
- In November 2011, the Group entered into two new five year leases on a warehouse of 14,082 square meters with existing tenants Willow Ware and 1300TempFence achieving a 17% rent increase (in aggregate) from the expiring previous rent to the new rent.
- In December 2011, the Group announced a $289.5 million property portfolio acquisition and associated equity raising to acquire:
  - Two modern office buildings located at, respectively, 22 Cordelia Street South Brisbane, Queensland and 42 Merivale Street South Brisbane, Queensland for $96.8 million. These acquisitions completed in February 2012;
  - An "A-grade" 24 level office building located at 333 Ann Street, Brisbane, Queensland for $109.9 million. This acquisition completed in February 2012; and
  - A development site at 219-247 Pacific Highway, Artarmon, New South Wales for $14 million. This acquisition completed in March 2012 and the Group has engaged Lindsay Bennelong Group to develop a new "A-grade" office building on this site. The building is under construction as at the date of this report and has been 50% pre-leased to Premier Media Group trading as Fox Sports with the balance subject to a 5 year rent guarantee from the Lindsay Bennelong Group. The total cost to the Group by completion, which is expected to occur in December 2012, will be approximately $82.7 million (excluding transaction costs).
- The rights offer announced in December 2011 closed in January 2012 and raised $166.4 million. The proceeds were used to partially fund the acquisitions referred to above with the remainder funded by debt.
- In January 2012, the Group expanded its syndicated debt facility with National Australia Bank ("NAB"), Westpac Banking Corporation ("Westpac") and Australia and New Zealand Banking Group ("ANZ") to $765 million. As a result of the revised agreement, a third of the facility matures in December 2014, 2015 and 2016, respectively.
- In February 2012, the Group entered into a new $70 million debt facility with NAB maturing in April 2016 secured by the Group's properties in Artarmon, New South Wales and Keswick, South Australia.
- In May 2012 the Group announced that it had established a new Distribution Reinvestment Plan ("DRP") which is in operation for the distribution payable on or about 31 August 2012 in respect of the 30 June 2012 record date. The DRP gives securityholders a way to increase their securityholding in Growthpoint Properties Australia by reinvesting all or part of their distribution entitlement in additional stapled securities, rather than receiving the distribution as cash.
- In June 2012 the Group announced that it had exchanged contracts to acquire a property at 10-12 Mort Street, Canberra, Australian Capital Territory for $55.8 million (excluding transaction costs). The property comprises two modern "A grade" eight storey office buildings with a combined net lettable area of approximately 15,398 square metres plus 158 car parks on land of 3,064 square metres. The buildings are fully-let to the Commonwealth of Australia (Department of Education, Employment and Workplace Relations) on a five year lease expiring 24 March 2017, with one five year option of renewal. This acquisition is to be initially fully funded by debt. Growthpoint has agreed to increase its syndicated debt facility with Westpac, NAB and ANZ by $60 million to $825 million. The increased facility amount will be added to the tranche maturing on 31 December 2016. Completion of the acquisition of this property is expected to occur on 27 August 2012.

DISTRIBUTIONS AND DIVIDENDS

For the year ended 30 June 2012:

- An interim distribution of $24,748,000 was paid on 29 February 2012 and equated to 8.70 cents per GOZ stapled security and 7.50 cents per GOZN stapled security.
- A final distribution of 8.90 cents per GOZ stapled security and 7.60 cents per GOZNA stapled security was approved and declared by the Directors in June 2012 and provided for in the financial statements at 30 June 2012. The distribution is payable on or about 31 August 2012.

The distributions referred to above were paid or declared from the assets of the Trust with no dividends paid or declared on the Company's shares for the year. The distribution is approximately 84% tax deferred with the remaining 16% being a concession capital gain (which is tax free).

The table above summarises distributable income earned.

DISTRIBUTIONS AND DIVIDENDS

	2012	2011
	$'000	*$'000*
Property income	124,005	88,419
Property expense	(15,063)	(9,217)
Net property income	**108,942**	**79,202**
Distributions receivable from RBV	-	2,166
Net interest	(45,461)	(40,602)
Fund expenses	(5,551)	(4,244)
Current tax expense	(217)	(115)
Distributable income	**57,713**	**36,407**

▲ **NEW ACQUISITIONS**

333 ANN ST, BRISBANE, QLD An “A-grade” office building located in the Brisbane CBD, purchased for $109.9 million. Major tenants are Runge and Robert Bird Group.

Refer to note 9 in the financial statements for a reconciliation of distributable income from statutory profit.

SUBSEQUENT EVENTS

On 16 July 2012, 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 2012 will be $2.02 per stapled security.

Approximately 66.4% of Growthpoint's distribution payable on or around 31 August 2012 will be issued new stapled securities under the DRP raising $21,554,188 for the issue of 10,670,390 new stapled securities. Total stapled securities on issue following the DRP will be 390,146,636.

On 25 July 2012, the Group replaced a $100 million vanilla interest rate swap which matured in September 2013 and had a fixed rate of 4.995% with a $100 million vanilla interest rate swap maturing in September 2016 with a fixed rate of 3.80%. As a result, the weighted averaged fixed rate on hedged debt reduced to 4.61% per annum (before margin) from 4.79% per annum and the weighted average duration of hedged debt increased to 4.4 years from 3.9 years.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Group expects to continue to manage its existing property portfolio to increase its returns to securityholders whilst also expanding its total assets.

DIRECTOR HOLDINGS

The relevant interest of each director in the stapled securities of the Group, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

DIRECTOR	*Stapled securities No.*
G. Jackson	82,672
L. Shaddock	490,000
N. Sasse	719,153
E. de Klerk	507,562
T. Collyer	82,805
M. Brenner	-

There are no options over stapled securities of the Group.

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 (Company Secretary and General Counsel), Dion Andrews (Chief Financial Officer) and Michael Green (Portfolio Manager) 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.

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 or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

NON-AUDIT SERVICES

There were no non-audit services provided to the Group by the current auditor, KPMG, during the year.

ENVIRONMENTAL REGULATIONS

As 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

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 100.

ROUNDING OFF

The Group is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

REMUNERATION REPORT – AUDITED

The Directors present the Remuneration Report for the Group. The report summarises key compensation policies for the year ended 30 June 2012 and provides detailed information on the compensation for Directors and other key management personnel.

The Remuneration Report is set out under the following main headings:

1. Principles of compensation;
2. Director and senior executive reviews; and
3. Directors' and executive officers' remuneration.

The specific remuneration arrangements described in the report apply to the Managing Director and the key management personnel as defined in AASB 124 and to the Company Secretary as defined in section 300A of the Corporations Act.

1. PRINCIPLES OF COMPENSATION

Introduction

The Nomination, Remuneration & HR 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 Nomination, Remuneration & HR Committee operates under the delegated authority of 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 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.

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.

In carrying out the Committee's remuneration functions, the Committee shall have regard to the following objectives:

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

b) Apply demanding and measurable key performance indicators including financial and non-financial measures of performance.

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.

The members of the Nomination, Remuneration & HR Committee during the year were:

› Norbert Sasse (Chairperson) – non-executive director
› Lyn Shaddock – Independent, non-executive director
› Francois Marais – Independent, non-executive director

The Managing Director, in turn, reviews the performance and remuneration of other employees and makes recommendations on these to the Committee. The Managing Director's recommendations recognise the differing responsibilities and skills of employees as well as different market influences that may affect their total compensation package.

Fixed compensation

Cash salaries are set at a level to attract and retain suitable qualified people to the Group. The salaries are benchmarked to market and reviewed annually by the Nomination, Remuneration & HR Committee, taking account of market conditions, external surveys and advice, skills availability and the Group and individual performance.

Short-term incentive bonus

Performance targets and reward levels for short term incentives are recommended by the Managing Director for all employees (other than himself) for approval by the Nomination, Remuneration & HR Committee. For the Managing Director, performance targets and reward levels for short term incentives are recommended by the Nomination, Remuneration & HR Committee for approval by the Board. The payment of bonuses is approved by the Nomination, Remuneration & HR Committee and/or the Board following an assessment of the Group's financial performance for the previous 12 months as compared to budgeted results. Failure to achieve budget may result in no bonus payments being approved by the Nomination, Remuneration & HR Committee and/or the Board. Bonuses are paid in September of each year following the financial year in which they were earned.

Long-term incentive bonus ("LTI")

The Group has introduced an Employee Incentive Plan ("EIP") for all employees. The plan is designed to link employees' remuneration with the strategic long term goals and performance of the Group and with the maximisation of wealth for its securityholders. The measures are reviewed regularly by the Nomination, Remuneration & HR Committee and/or the Board. The current measures for the LTI, which are identical to the measures for the prior year, are:

1. Total securityholder returns (TSR) – Weighting 35%

TSR is defined as being the amount of dividends/distributions paid/payable by the Group during the period and the change in the price at which securities in the Group are traded between the beginning and the end of the period.

The TSR is benchmarked relative to the S&P/ASX A-REIT 300 Accumulation Index over a rolling 3 year period, or a shorter period being the date the Group became a stapled entity to the end of the tranche vesting period (as applicable).

The vesting criteria for the TSR benchmark is based upon the below:

› At or below the 50th percentile - 0%
› At the 51st percentile - 50%
› Above the 51st percentile but below the 76th percentile - 50%, plus 2% for each percentile above the 51st percentile
› At or above the 76th percentile 100%

2. Return on equity (ROE) – Weighting 35%

ROE measures the total return on equity employed and takes into account both capital appreciation of the assets of Growthpoint and cash distributions of income. The return will be calculated on the starting NTA per security and includes the change in NTA per security over the vesting period plus the distribution made as a return on the starting NTA per security.

The ROE would be benchmarked relative to the ROE's of A-REIT's in the S&P/ASX A-REIT 300 Index over a rolling 3 year period, or a shorter period being the date the Group became a stapled entity to the end of the tranche vesting period (as applicable).

LTI MAXIMUM FOR DIRECTORS AND OTHER KEY MANAGEMENT PERSONNEL

	FY12			FY11		
	LTI Maximum of base remuneration	*LTI Maximum*	*LTI Estimate*	*LTI Maximum of base remuneration*	*LTI Maximum*	*LTI Actual*
	%	$	$	%	$	$
Mr T Collyer	80	450,000	400,725	80	360,000	303,480
Mr A Hockly	50	100,000	89,050	50	78,750	66,386
Mr D Andrews	50	91,250	81,258	50	73,500	61,961
Mr M Green	50	87,500	77,919	50	73,500	61,961
		728,750	**648,952**		**585,750**	**493,787**

The vesting criteria for the ROE benchmark is based upon the below:

- Below the benchmark return - 0%
- Achievement of benchmark - 50%
- At 1 % or > and < 2% above the benchmark - 75% (pro-rata)
- At 2% or > above the benchmark - 100%

3. Distributable Income – Weighting 30%

Achievement of the annual distributable income per security (DPS) that is budgeted for by the Group and signed off by the Board at the commencement of the financial year.

The vesting criteria for the Distributable Income benchmark is based upon the below:

- Below the benchmark return - 0%
- Achievement of benchmark - 50%
- Above benchmark and < 2% above the benchmark - 75% (pro-rata)
- At 2% or > above the benchmark - 100%

It is intended that:

1. in advance of each financial year, the Board will establish an LTI pool in respect of the upcoming financial year and determine the Managing Director's maximum incentive from this pool which, under the terms of his employment contract, cannot be less than 80% of his base salary (**"LTI Maximum"**);
2. in advance of each financial year, the Managing Director will make recommendations for the maximum share of the LTI pool for each other employee as a percentage of his or her base salary (each an **"LTI Maximum"**) which such recommendations to be considered, approved and/or amended by the Nomination, Remuneration & HR Committee;
3. in advance of each financial year, the Nomination, Remuneration & HR Committee will set performance hurdles to be achieved for employees (as a group) to receive any or all of the LTI Maximum for the upcoming financial year;
4. at the end of the relevant financial year, the Nomination, Remuneration & HR Committee will assess the achievement of the performance hurdles to determine a percentage achieved (**"LTI Achievement"**)
5. the LTI Maximum multiplied by the LTI Achievement provides the LTI for each employee for the relevant financial year;
6. 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 LTI referred to in 5 above through the issue of stapled securities in the Group for an equivalent amount at an issue price per security based on the volume weighted average price of the securities over the 20 trading days preceding their issue; and
7. the LTI is cumulative and, subject to some exceptions, immediately vest in the case of a takeover of the Group or a redundancy.

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.

The LTI Maximum for Directors and other key management personnel for the year to 30 June 2012 is given in the table above. The LTI Achievement cannot be calculated until the release of the benchmark data for the year to 30 June 2012 so an estimate is provided. The estimated LTI Achievement is included as a provision in the year to 30 June 2012.

The minimum LTI for FY 2012 would be $0 if none of the benchmarks were achieved.

On 5 July 2011 the Group amended its "Securities Trading Policy" so that those who are 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.

Consequences of performance on securityholder wealth

In considering the Group's performance and benefits for securityholder wealth, the Nomination, Remuneration & HR Committee have regard to the following financial measures in respect of the three financial years ending 30 June 2012 (previous years are not considered as they are not comparable following the formation of the new Group via the stapling).

The 2010 figures for change in stapled security price and adjusted total return are from 7 August 2009 (first trading day post stapling) to 30 June 2010.

CONSEQUENCES OF PERFORMANCE ON SECURITYHOLDER WEALTH

	2012	2011	2010
Profit attributable to the owners of the Group	$49,487,000	$43,373,000	$46,694,000
Dividends and distributions paid	$57,383,000	$36,480,000	$22,347,000
Distribution per stapled security	$0.176	$0.171	$0.140
Change in stapled security price	$0.205	$0.095	$0.300
Total return to securityholders	20.11%	14.78%	29.33%

Dividends and distributions paid are considered one of the key financial performance targets in setting short-term incentives. The total distribution to be paid in respect of the year to 30 June 2012 will be 17.6 cents per stapled security, ahead of the forecast given during the equity raising completed in January 2012. The overall level of key management personnel compensation takes into account the performance of the Group over a number of years. Long term performance is measured from the first trading day after the stapling as outlined in the table above.

Service Contracts

It is the Group's policy that service contracts are unlimited in term but capable of termination on 6 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. The Group has entered into service contracts with each key management person, excluding the Managing Director, on this basis. The key management personnel are also entitled to receive on termination of employment their statutory entitlements of 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 Nomination, Remuneration & HR Committee and applicable to all employees. Service contracts outline the components of compensation paid to each key management person but does not prescribe how compensation levels are modified year to year.

The Managing Director has a contract of employment dated 12 July 2010 with the Group. The contract 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.

The service contract is unlimited in term. The Managing Director can resign by providing 6 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 on 3 months' notice with not less than 6 months' severance pay.

The Group can make a payment to the Managing Director in lieu of any notice required to be given.

On termination as Managing Director, he must resign as a director of the Group and he is restrained from a number of activities in competition with or to the detriment of the Group for a period of 3 months from the date of termination.

Non-executive directors

An aggregate pool of $600,000 available for the remuneration of Non-Executive Directors was approved by securityholders at the Group's Annual General Meeting in November 2011.

The fees payable to Non-Executive Directors are listed on pages 60-61 of this report.

Non-Executive Directors do not receive any retirement allowance upon retirement from the Board.

2. DIRECTOR AND SENIOR EXECUTIVE REVIEWS

The board, and each of its committees, reviews its respective membership not less than annually to ensure it contains an appropriate mix of skills, experience and diversity (age, gender and geography) plus any specific objectives set by the board or a committee. In addition, each director is required to review his or her position on the board and each of its committees not less than annually and consider if they should remain in their respective role(s).

In 2011, the board determined that, in the interests of increasing the diversity of its members and to enhance the board's decision making process, it would seek to appoint a female director when a suitable candidate became available. As a consequence and following lengthy consideration of a number of potential candidates, the board appointed its first female director, Maxine Brenner, in March 2012.

Being a property company, the board has expressed a particular desire to ensure it comprises directors with extensive Australian commercial property knowledge. Each of the Chairman, the Managing Director and Grant Jackson 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.

The board currently comprises directors with extensive experience and expertise in property, finance, law, investment banking, accounting and corporate governance. Refer to pages 46-47 of this Annual Report for profiles of each director.

The Nomination, Remuneration & HR Committee has developed plans for the succession and/or temporary replacement of the Chairman and the Managing Director.

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.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

		Short-term			Post employment	Other long-term	Termin-ation benefits	Share based payments	Total	
FOR THE PERIOD TO 30 JUNE 2012	Note	Salary and fees	Cash bonus	Non-monetary benefits	Super-annuation benefits			Options and rights		S300A (1) (e) (i) proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
DIRECTORS (CURRENT)										
Mr L Shaddock (Chairman)		100,000	-	-	-	-	-	-	100,000	0%
Mr G Jackson		59,511	-	-	5,356	-	-	-	64,867	0%
Mr F Marais		59,000	-	-	-	-	-	-	59,000	0%
Mr N Sasse	1	64,000	-	-	-	-	-	-	64,000	0%
Mr E de Klerk	1	59,000	-	-	-	-	-	-	59,000	0%
Ms. M Brenner	2	16,379	-	-	1,474	-	-	-	17,853	0%
DIRECTORS (FORMER)										
Mr D Spruell	3	44,037	-	-	3,963	-	-	-	48,000	0%
EXECUTIVES (CURRENT)										
Mr T Collyer (Managing Director)		552,913	350,000	8,541	9,587	-	-	169,836	1,090,877	48%
Mr A Hockly (Company Secretary & General Counsel)		185,821	89,000	1,918	14,179	-	-	66,063	356,981	43%
Mr D Andrews (Chief Financial Officer)		169,818	79,000	3,577	12,682	-	-	61,160	326,237	43%
Mr M Green (Portfolio Manager)		154,118	79,000	1,780	14,073	-	-	60,262	309,233	45%

Notes to the remuneration table

1. These Directors are senior executives of Growthpoint Properties South Africa ("GRT"), the ultimate controlling entity of the Group and GRT requested that such persons put themselves up for election as Directors. The Group paid GRT Directors' fees for their service of $52,500 in total for the period 01 July 2010 to 31 December 2010. During this time, the individuals themselves did not receive additional compensation for acting as Directors of the Group. From 1 January 2011, at GRT's request, the Company ceased paying Directors' fees to GRT and started to pay the individuals directly.

2. Ms Brenner was appointed on 19 March 2012.

3. Mr Spruell resigned on 19 March 2012

4. Mr Collyer's cash bonus for the year included a bonus on his appointment as Managing Director of $100,000 (he received no bonus for the year to 30 June 2010) and a year-end bonus of $300,000.

DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

		Short-term			Post employment	Other long-term	Termination benefits	Share based payments	Total	
FOR THE PERIOD TO 30 JUNE 2011	Note	Salary and fees	Cash bonus	Non-monetary benefits	Super-annuation benefits			Options and rights		S300A (1) (e) (i) proportion of remuneration performance related
		$	$	$	$	$	$	$	$	%
DIRECTORS										
Mr L Shaddock (Chairman)		78,748	-	-	-	-	-	-	78,748	0%
Mr D Spruell		48,165	-	-	4,335	-	-	-	52,500	0%
Mr G Jackson		48,165	-	-	4,335	-	-	-	52,500	0%
Mr F Marais		52,500	-	-	-	-	-	-	52,500	0%
Mr N Sasse	1	26,250	-	-	-	-	-	-	26,250	0%
Mr E de Klerk	1	26,250	-	-	-	-	-	-	26,250	0%
EXECUTIVES										
Mr T Collyer (Managing Director)	4	434,800	400,000	6,608	15,200	-	-	-	856,608	47%
Mr A Hockly (Company Secretary & General Counsel)		144,495	65,000	1,748	13,553	-	-	-	224,796	29%
Mr D Andrews (Chief Financial Officer)		134,862	55,000	3,076	12,903	-	-	-	205,841	27%
Mr M Green (Portfolio Manager)		134,862	55,000	1,647	12,903	-	-	-	204,412	27%

Refer to page 60 for notes.

FY 2011 EMPLOYEE INCENTIVE PLAN

	Value of performance rights granted during 2012	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 FY 2012
	$		$	No.	$	%
DIRECTORS						
Mr T Collyer	303,480	25/11/2011	75,870	40,128	227,610	25%
EXECUTIVES						
Mr A Hockly	66,386	30/09/2011	16,597	8,778	49,790	25%
Mr D Andrews	61,961	30/09/2011	15,490	8,193	46,470	25%
Mr M Green	61,961	30/09/2011	15,490	8,193	46,470	25%

Performance

The Nomination, Remuneration & HR Committee regularly, and not less than annually, reviews the performance of the board, its committees and individual directors. As a result of these reviews, in 2012, the Nomination, Remuneration and HR Committee recommended that the Group remunerate directors partly on the basis of additional responsibilities such as chairing or being a member of a board committee from 1 July 2012. The board approved this recommendation.

In 2012, the Group is introducing a self-assessment questionnaire to be completed by each director and to cover individual, committee and board performance. The Chairman will then discuss each review individually with each director.

The Managing Director's performance is formally considered annually by the Nomination, Remuneration & HR 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 following matters:

1. adherence to board policies, resolutions and directions;
2. achievement of matters stated in disclosure documents and other ASX releases;
3. expected distributions to securityholders versus guidance;
4. financial performance versus budget;
5. ASX performance of the Group's securities;
6. the Group's performance against short and medium term strategies of the Group;
7. asset performance versus budgeted/ expected performance (particularly for recently acquired assets);
8. lease renewals (including tenant retention, rent achieved, lease term and quality of tenant);
9. employee retention and performance; and
10. quality, timeliness and frequency of investor communications.

In addition, the board regularly considers the performance of the Managing Director. The Managing Director and each line manager conduct a 6 monthly review of each employee's performance. The reviews form the basis for remuneration recommendations.

The Nomination, Remuneration and HR Committee considers the Managing Director's recommendations for employee remuneration not less than annually and discusses, in particular, the performance of each key management person.

In addition, the Company Secretary's skills, experience and performance is reviewed regularly by the Chairman to ensure he is providing, and is able to provide, necessary corporate governance support for the board and its committees. Refer to page 48 for the Company Secretary's profile.

3. DIRECTORS' AND EXECUTIVE OFFICERS' REMUNERATION

As outlined in the tables on pages 60-61.

Equity instruments

Details on performance rights granted to each key management person as compensation under the EIP during the reporting period and details on performance rights conversion to stapled securities in the Group during the reporting period are set out in the table on page 61.

The conversion of the remaining performance rights for the FY 2011 EIP will occur on or around 30 September 2012, 2013 and 2014 in equal parts. The employee must remain in employment on those dates to receive the securities on conversion. Performance rights in relation to FY 2012 EIP (if any) will be issued on or around 30 September 2012 and the first quarter instalment will convert to securities on or around that date, except for Mr Collyer's where the first instalment will be issued and converted following approval at the Group's Annual General Meeting which is scheduled to occur on 27 November 2012. The conversion of the remaining performance rights for the FY 2012 EIP will occur on or around 30 September 2013, 2014 and 2015 in equal parts.

The grant date for the FY 2011 EIP was 8 July 2011 for the executives and 24 November 2011 for Mr Collyer, following the approval of issuing his shares at the Group's Annual General Meeting.

The grant date for the FY 2012 EIP was 14 February 2012 for the executives. For Mr Collyer, the grant date will be 27 November 2012 if the issue of stapled securities to him is approved Group's Annual General Meeting to be held that day.

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.

Signed at Melbourne, 20 August, 2012 in accordance with a resolution of the Directors.

T.J. Collyer.

Timothy Collyer
Managing Director, Growthpoint Properties Australia Limited

▲ **INCREASING VALUE**

120 NORTHCORP BLVD, BROADMEADOWS, VIC A modern purpose-built distribution facility securely leased to Woolworths. The value of this property has consistently increased over the last 3 years (2009: $57.2m, 2012: $64.0m).

Consolidated Statement of Comprehensive income

For the year ended 30 June 2012	Notes	2012	2011
		$'000	*$'000*
Revenue			
Property revenue	14	**124,005**	88,419
Straight line adjustment to property revenue	14	**2,957**	8,377
Net changes in fair value of investment properties	14	**30,117**	(3,965)
Loss on sale of investment properties	14	**(88)**	(190)
Net change in fair value of derivatives		**(28,001)**	2,841
Loss on settlement of derivative		**(13,168)**	-
Distributions receivable		**-**	2,166
Net investment income		**115,822**	97,648
Expenses			
Property expenses	14	**(15,063)**	(9,217)
Other expenses from ordinary activities		**(5,551)**	(4,244)
Total expenses		**(20,614)**	(13,461)
Profit from operating activities		**95,208**	84,187
Interest income		**4,677**	863
Borrowing costs	7	**(50,138)**	(41,465)
Net finance costs		**(45,461)**	(40,602)
Profit before income tax		**49,747**	43,585
Income tax expense	8	**(260)**	(212)
Profit for the year		**49,487**	43,373
Profit attributable to:			
Owners of the Trust		**49,626**	43,488
Owners of the Company		**(139)**	(115)
		49,487	43,373
Distribution to securityholders	9	**(57,383)**	(36,480)
Change in net assets attributable to securityholders / Total Comprehensive Income		**(7,896)**	6,893
Basic and diluted earnings per security (cents)	26	**15.2**	21.5

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 June 2012	Notes	2012	2011
		$'000	*$'000*
Current assets			
Cash and cash equivalents	20	**35,289**	24,144
Trade and other receivables	11	**1,037**	2,791
Assets held for sale	12	**-**	5,200
Total current assets		**36,326**	32,135
Non-current assets			
Trade and other receivables	11	**46,069**	43,113
Plant & equipment	13	**46**	46
Investment properties	14	**1,423,577**	1,114,422
Other receivables	15	**100,790**	168
Deferred tax assets	8	**274**	226
Total non-current assets		**1,570,756**	1,157,975
Total assets		**1,607,082**	1,190,110
Current liabilities			
Trade and other payables	16	**68,593**	11,584
Provision for distribution payable		**32,635**	20,669
Current tax payable	8	**219**	115
Derivative financial instruments	18	**-**	689
Total current liabilities		**101,447**	33,057
Non-current liabilities			
Interest bearing liabilities	17	**732,456**	667,242
Derivative financial instruments	18	**39,937**	11,247
Total non-current liabilities		**772,393**	678,489
Total liabilities		**873,840**	711,546
Net assets		**733,242**	478,564
Securityholders' funds			
Contributed equity	21	**925,101**	662,924
Reserves		**719**	323
Retained profits / (accumulated losses)		**(192,578)**	(184,683)
Total securityholders' funds		**733,242**	478,564

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 2012	2012	2011
	$'000	*$'000*
Total equity at the beginning of the year	**478,564**	324,003
Net income recognised directly in equity	**-**	-
Profit after tax for the year	**49,487**	43,373
Total recognised income and expense for the year	**49,487**	43,373
Transactions with securityholders in their capacity as securityholders:		
Contributions of equity, net of transaction costs	**262,177**	147,345
Distributions provided or paid	**(57,383)**	(36,480)
Deferred tax recognised in reserve	**90**	323
Value of securities issued via the Employee Incentive Plan	**307**	-
Total equity at the end of the year	**733,242**	478,564
Total recognised income and expense for the year is attributable to:		
- Trust	**49,626**	43,488
- Company	**(139)**	(115)
Growthpoint Properties Australia	**49,487**	43,373

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 2012	Notes	2012	2011
		$'000	$'000
Cash flows from operating activities			
Cash receipts from customers		127,032	90,013
Cash payments to suppliers		(18,497)	(12,314)
Cash generated from operating activities		108,535	77,699
Interest paid		(54,380)	(40,629)
Taxes paid		(113)	-
Net cash inflow from operating activities	20 (b)	54,042	37,070
Cash flows from investing activities			
Interest received		4,678	863
Net proceeds from sale of investment properties		5,089	17,890
Payments for investment properties		(224,886)	(235,373)
Payments for plant & equipment		(36)	(11)
Payments as loans to other entities		(100,790)	-
Net cash outflow from investing activities		(315,945)	(216,631)
Cash flows from financing activities			
Proceeds from external borrowings		174,556	143,076
Repayment of external borrowings		(105,100)	(26,063)
Proceeds from equity raising		268,986	101,000
Equity raising costs		(6,809)	(3,528)
Payment for settlement of derivatives		(13,168)	-
Distributions paid to securityholders		(45,417)	(29,379)
Cash acquired on acquisitions		-	1,860
Net cash inflow from financing activities		273,048	186,966
Net increase / (decrease) in cash and cash equivalents		11,145	7,405
Cash and cash equivalents at the beginning of the period		24,144	16,739
Cash and cash equivalents at the end of the period		35,289	24,144

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

Notes to the Financial Statements

NOTE 1: REPORTING ENTITY

Growthpoint Properties Australia was formed by the stapling of Growthpoint Properties Australia Limited ("the Company") and Growthpoint Properties Australia Trust and its controlled entities ("the Trust"). 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 their 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 and the unitholders 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 financial report includes financial statements for Growthpoint Properties Australia, the stapled consolidated entity, which is domiciled in Australia as at, and for the twelve months ended, 30 June 2012.

NOTE 2: BASIS OF PREPARATION

(A) 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 of Directors on 20 August 2012.

(B) BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

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

(C) 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 Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, all financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

(D) USE OF ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS's 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 financial statements is included in the following notes:

- Note 14 – Investment properties.

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 14 – Investment properties.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

(A) BASIS OF CONSOLIDATION

(i) Business combinations

The Group has adopted revised AASB 3 *Business Combinations (2008)* and amended AASB 127 *Consolidated and Separate Financial Statements (2008)* for business combinations occurring in the financial year starting 1 July 2009. All business combinations occurring on or after 1 July 2009 are accounted for by applying the acquisition method.

Non-controlling interest

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

(ii) 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 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.

(B) VALUATION OF INVESTMENT IN 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.

Subsequent to initial recognition as assets, investment properties are revalued to fair value. Directors revalue the permanent property investments on the basis of valuations determined by independent valuers on a periodic basis. The Group assesses at each balance date whether these valuations appropriately reflect the fair value of investment properties (refer note 14).

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

(C) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the Group's consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised on trade-date – the date on which the Group commits to sell or purchase the asset. Financial assets are derecognised when the right to receive cash flows from the financial asset have expired or have been transferred and the Group has transferred substantially the risks and rewards of ownership. Financial instruments are designated on initial recognition, and investments held at fair value through profit or loss are re-evaluated at each reporting date for designation into this category.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

(ii) Trade and Other Receivables

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 debtors 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.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(C) FINANCIAL INSTRUMENTS (CONT.)

The amount of the impairment loss is recognised in the consolidated statement of 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 comprehensive income.

(iii) Trade and Other Payables

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.

(iv) Borrowings

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 comprehensive income over the period of the borrowings using the effective interest method.

Borrowing costs are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after consolidated statement of financial position date.

(v) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured 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 (note 5), however it has not elected to qualify these for hedge accounting.

Interest rate swaps

As noted above the interest rate swaps do not qualify for hedge accounting. Changes in fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of comprehensive income.

(D) 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).

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.

Interest income

Interest income is recognised on a proportional basis using the effective interest rate method taking into account interest rates applicable to financial assets.

(E) LEASE INCENTIVES AND COMMISSIONS

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

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

(F) 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.

(G) BORROWING COSTS

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(H) 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 it relates 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.

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.

(I) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of the GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

(J) NET TANGIBLE ASSET BACKING PER STAPLED SECURITY

Basic net tangible asset backing per stapled security is determined by dividing the net assets attributable to securityholders (excluding intangible assets) by the number of stapled securities outstanding at balance date.

Diluted net tangible asset backing per stapled security adjusts the figures used in the determination of basic net tangible asset backing per stapled security by taking into account amounts unpaid on stapled securities.

(K) PRESENTATION OF FINANCIAL STATEMENTS

The Group applies AASB 101 *Presentation of Financial Statements (2007)*, which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per stapled security.

(L) NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for IFRS 9 *Financial Instruments*, which becomes mandatory for the Group's 2016 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(M) EARNINGS PER STAPLED SECURITY (EPS)

Basic EPS is determined by dividing the profit or loss attributable to equity holders 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.

(N) PLANT AND EQUIPMENT

(i) Recognition and measurement

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within other income in the consolidated statement of comprehensive income.

(ii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the consolidated statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Plant and equipment 2 – 12 years
- Fixtures and fittings 4 – 10 years

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(O) IMPAIRMENT

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss 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 of delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, 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 collective 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 consolidated statement of comprehensive income and reflected in an allowance account against receivables.

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(O) IMPAIRMENT (CONT.)

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 comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the consolidated statement of comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(P) NON-CURRENT ASSETS HELD FOR SALE

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 remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value.

(Q) EMPLOYEE BENEFITS

(i) 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 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.

(ii) 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, then they are discounted to their present value.

(iii) 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.

(iv) 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.

NOTE 4: 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. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(I) INVESTMENT PROPERTY

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at least once every three years. 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.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, 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.

(II) TRADE AND OTHER RECEIVABLES

The fair value of trade and other receivables 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.

(III) DERIVATIVES

The fair value of interest rate swaps is 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 entity and counterparty when appropriate.

(IV) SHARE-BASED PAYMENT TRANSACTIONS

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.

NOTE 5: FINANCIAL RISK MANAGEMENT

OVERVIEW

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

- credit risk
- liquidity risk
- 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 of Directors has overall responsibility for the establishment and oversight of the risk management framework. The Board has established an Audit & Risk Committee, which is responsible for developing and monitoring risk management policies and making appropriate recommendations to the Board. The Compliance Committee also considers the Company's risks as a responsible entity and custodian and approves relevant policies and procedures to manage, where possible, these risks. The Committees report regularly to the Board of Directors on their activities. In addition, the Managing Director provides a regular report to the Board in relation to risks facing the Group.

NOTE 5: FINANCIAL RISK MANAGEMENT (CONT.)

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/or Compliance Committees oversee 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.

FINANCIAL INSTRUMENTS USED BY THE GROUP

The Group's principal financial instruments, other than derivatives, comprise bank loans.

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 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 risk arising from the Group's financial instruments is cash flow interest rate risk. The Board of Directors reviews and agrees policies for managing this risk and this is 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 instrument are disclosed in note 3 to the financial statements.

(a) Derivative financial instruments

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 contract swap, 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 income statement immediately, as hedge accounting under AASB 139 has not been adopted.

Swaps effective at 30 June 2012 covered 94% of the loan principal outstanding at that date (2011: 80%).

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

At balance date the agreed notional principal amount of interest rate swap contracts in effect for the Group is $695,000,000 (2011: $535,000,000).

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 portfolio manager 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 to become payable to the Group over the course of a development, the Group assesses the creditworthiness of the developer counterparty prior to entering into a binding contractual relationship. Due to the balance sheet strength of each of the developers relative to the project size, for the two fund-through developments the Group is currently undertaking, the Group has taken additional security in the form of related entity and personal guarantees. The Group also has a put-option for each development enabling the Group to transfer the land back to the relevant developer at a sale price equivalent to all moneys spent by the Group at the relevant property in the event of any default by the relevant developer (including non-payment of coupon interest). The put-option is secured by related entity and personal guarantees. In addition, for one project the Group pays a significant portion of fees due to the developer into a trust account to protect the Group for, among other things, non-payment of coupon interest.

NOTE 5: FINANCIAL RISK MANAGEMENT (CONT.)

(c) 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 Note 4 for the methods and assumptions adopted in determining net fair values.

(d) Market risk

The Group's primary exposure to market risk arises from changes in interest rates relating to its syndicated bank loan and bilateral bank loan amounting to $738,169,000 at balance date (2011: $668,713,000).

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	**2012**	2011
		$'000	*$'000*
Financial assets			
Cash and cash equivalents	Floating	**35,289**	24,144
		35,289	24,144
Financial liabilities			
Derivative financial instruments	Floating	**39,937**	11,936
Interest bearing liabilities – hedged*	Fixed	**695,000**	535,000
Interest bearing liabilities – unhedged	Floating	**43,169**	133,713
		778,106	680,649

* 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 2012, 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)		Equity Higher / (Lower)	
	2012	2011	**2012**	2011
	$'000	*$'000*	*$'000*	*$'000*
Consolidated				
+100 bps (2011 +100 basis points)	**27,183**	13,430	**27,183**	13,430
-100 bps (2011 -100 basis points)	**(27,184)**	(14,618)	**(27,184)**	(14,618)

The movements in profit are primarily due to fair value gains/losses on financial derivatives from the interest rate increase/decrease. The fair value gains/losses, in this sensitivity analysis, would be unrealised and non-cash in nature unless the interest rate swaps were closed or sold. The non-cash fair value gains/losses for the year to 30 June 2012 in the table above total $27,262,000/($27,263,000) (2011: $14,544,000/($15,732,000).

(e) 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. At balance date, the Group had cash and cash equivalents totalling $35,289,000 (2011: $24,144,000).

NOTE 5: FINANCIAL RISK MANAGEMENT (CONT.)

Financing arrangements

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

	2012	2011
	$'000	*$'000*
Syndicated bank loan facility		
Total facility	**765,000**	693,000
Used at balance date	**710,015**	668,713
Unused at balance date	**54,985**	24,287
Bilateral bank loan facility		
Total facility	**70,000**	-
Used at balance date	**28,154**	-
Unused at balance date	**41,846**	-
Total unused bank facilities	**96,831**	24,287

The syndicated bank loan has three tranches with the following values and maturity dates:

- Tranche 1, $255,000,000 with a maturity of 31 December 2014
- Tranche 2, $255,000,000 with a maturity of 31 December 2015
- Tranche 3, $255,000,000 with a maturity of 31 December 2016

The bilateral facility of $70,000,000 matures on 30 April 2016.

Maturities of financial liabilities

The maturity of financial liabilities (including trade and other payables, provision for distribution, 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 2012.

	2012	2011
	$'000	*$'000*
6 months or less	**64,870**	48,601
6 to 12 months	**26,809**	22,364
1 to 5 years	**929,247**	746,458
More than 5 years	**-**	1,219
Total contractual cashflows	**1,020,926**	818,642
Carrying amounts of financial liabilities	**816,827**	706,250

(f) Capital management

The Group's capital management strategy is discussed in note 21(c).

NOTE 6: SEGMENT INFORMATION

The Group operates wholly within Australia and derives rental income solely from property investments. With an increase in investments in the office sector, the Group now segments net property income into Office and Industrial segments and those results are shown below:

	Office	Industrial	**Total**
	$'000	*$'000*	*$'000*
Statement of comprehensive income for the year to June 2012			
Revenue, excluding straight line lease adjustment	45,261	78,744	**124,005**
Property expenses	(6,417)	(8,646)	**(15,063)**
Segment results	38,844	70,098	**108,942**
Income not assigned to segments			**37,751**
Expense not assigned to segments			**(96,946)**
Net profit before income tax			**49,747**
Statement of comprehensive income for the year to June 2011			
Revenue, excluding straight line lease adjustment	12,265	76,154	**88,419**
Property expenses	(1,651)	(7,566)	**(9,217)**
Segment results	10,614	68,588	**79,202**
Income not assigned to segments			**14,247**
Expense not assigned to segments			**(49,864)**
Net profit before income tax			**43,585**

Property values are also reported by segment and this information is reported in note 14.

MAJOR CUSTOMER

Revenues from one customer, Woolworths Limited, of the Group's Industrial segment represents $41,934,000 (2011: $40,595,000) of the Group's total revenues.

NOTE 7: BORROWING COSTS

	2012	2011
	$'000	*$'000*
Bank interest expense and charges	**48,743**	40,379
Amortisation of borrowing costs	**1,395**	1,086
	50,138	41,465

NOTE 8: INCOME TAX EXPENSE

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

(A) INCOME TAX EXPENSE:

	2012	2011
	$'000	*$'000*
Current tax expense	**219**	115
Deferred tax expense	**43**	97
Over provision from prior year	**(2)**	-
	260	212

(B) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE TO PRIMA FACIE TAX PAYABLE:

	2012	2011
	$'000	*$'000*
Profit before income tax expense	**121**	97
Income tax expense / (benefit) using the Company's domestic rate of 30%	**36**	29
Increase/(decrease) in income tax due to:		
Non-deductible expenses	**226**	166
Prior year losses now recognised	**-**	(26)
Change in unrecognised temporary differences	**-**	43
Over provision of prior year income tax	**(2)**	-
	260	212
The applicable weighted average effective tax rate for the Company is as follows	**215%**	219%

(C) RECOGNISED DEFERRED TAX ASSETS

	2012	2011
	$'000	*$'000*
Equity raising costs	**207**	200
Accrued expenses	**56**	22
Employee benefits	**11**	4
	274	226

NOTE 8: INCOME TAX EXPENSE (CONT.)

(D) MOVEMENT IN TEMPORARY DIFFERENCES DURING THE YEAR

	Opening balance 1 July 2011	Charged to profit and loss	Charged to equity	**Balance 30 June 2012**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Equity raising costs	200	(83)	90	**207**
Total	200	(83)	90	**207**
Current liabilities:				
Accrued expenses	22	34	-	**56**
Employee benefits	4	7	-	**11**
Total	26	41	-	**67**
Total net	226	(42)	90	**274**

	Opening balance 1 July 2010	Charged to profit and loss	Charged to equity	**Balance 30 June 2011**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Equity raising costs	-	(123)	323	**200**
Total	-	(123)	323	**200**
Current liabilities:				
Accrued expenses	-	22	-	**22**
Employee benefits	-	4	-	**4**
Total	-	26	-	**26**
Total net	-	(97)	323	**226**

NOTE 9: DISTRIBUTIONS

	2012	2011
	$'000	*$'000*
Profit after tax	**49,487**	43,373
Less non-distributable items:		
- Straight line adjustment to property revenue	**(2,957)**	(8,377)
- Net changes in fair value of investments	**(30,117)**	3,965
- Loss of sale of investment properties	**88**	190
- Net (gain) / loss on derivatives	**41,169**	(2,841)
- Deferred tax expense	**43**	97
Distributable income	**57,713**	36,407
Distributions on ordinary stapled securities provided for or paid during the year	**57,383**	36,480

Period for distribution	Total distribution	Total stapled securities	Distributions per stapled security
	$'000	*('000)*	*(cents)*
Half year to 31 December 2011 GOZ	20,698	237,904	**8.70**
Half year to 30 June 2012 GOZ	25,979	291,904	**8.90**
	46,677		**17.60**
Half year to 31 December 2011 GOZN	4,050	54,000	**7.50**
Half year to 30 June 2012 GOZNA	6,655	87,572	**7.60**
Total distribution for year	57,383		
Half year to 31 December 2010 GOZ	13,408	159,620	**8.40**
Half year to 30 June 2011 GOZ	20,669	237,578	**8.70**
	34,077		**17.10**
Half year to 31 December 2010 GOZNA	2,403	53,158	**4.52**
Total distribution for year	36,480		

NOTE 10: MANAGEMENT EXPENSE RATIO

Management expense ratio (MER) is calculated as "other expense from ordinary activities" as detailed in the Consolidated Statement of Comprehensive Income for a period divided by the average total assets for that period (calculated monthly). The MER for the year to 30 June 2012 is 0.41% (year to 30 June 2011: 0.44%).

NOTE 11: TRADE AND OTHER RECEIVABLES

	2012	2011
	$'000	$'000
Current		
Rent receivables	**281**	1,107
Prepayments	**756**	1,684
	1,037	2,791

(A) IMPAIRED RENT RECEIVABLES

As at 30 June 2012 no rent receivables of the Group were impaired (2011: nil impairment).

(B) FAIR VALUE AND CREDIT RISK

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 5 for more information on the risk management policy of the Group.

	2012	2011
	$'000	$'000
Non-current		
Rent receivables	**46,069**	43,113
	46,069	43,113

Rent receivables represent the non-current portion of straight-line rental income receivable (refer note 3(d)).

NOTE 12: ASSETS CLASSIFIED AS HELD FOR SALE

As at 30 June 2012 there were no properties classed as held for sale (2011: property at 1304 Ferntree Gully Road, Scoresby Victoria, with a value of $5,200,000 was classed as held for sale).

NOTE 13: PLANT AND EQUIPMENT

	IT equipment	Furniture and fittings	Total
	$'000	$'000	$'000
Balance at 1 July 2010	81	22	**103**
Additions	7	4	**11**
Disposals	-	-	**-**
Depreciation for the year	(61)	(7)	**(68)**
Carrying amount as at 30 June 2011	27	19	**46**
Additions	36	-	**36**
Disposals	-	-	**-**
Depreciation for the year	(30)	(6)	**(36)**
Carrying amount as at 30 June 2012	33	13	**46**

NOTE 14: INVESTMENT PROPERTIES

Industrial Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 30-Jun-12	Consolidated Book Value 30-Jun-11
				$'000	*$'000*	*$'000*
Victoria						
28 Bilston Drive	Wodonga	VIC	30-Jun-12	70,500	**70,500**	69,500
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-12	64,000	**64,000**	61,000
522-550 Wellington Road	Mulgrave	VIC	31-Dec-11	50,500	**50,500**	50,000
40 Annandale Road	Tullamarine	VIC	31-Dec-11	36,500	**36,500**	35,700
130 Sharps Road	Tullamarine	VIC	31-Dec-11	22,550	**22,550**	21,000
120 Link Road	Tullamarine	VIC	31-Dec-11	17,500	**17,500**	17,500
42-44 Garden Street	Kilsyth	VIC	31-Dec-11	17,750	**17,750**	17,300
44-54 Raglan St Lot 2-4	Preston	VIC	31-Dec-11	16,000	**16,000**	15,300
60 Annandale Road	Tullamarine	VIC	30-Jun-12	12,900	**12,900**	13,500
365 Fitzgerald Road	Derrimut	VIC	30-Jun-12	13,400	**13,400**	12,231
45-55 South Centre Road	Tullamarine	VIC	31-Dec-11	8,700	**8,700**	8,200
306 - 318 Abbots Road	Lyndhurst	VIC	30-Jun-12	8,000	**8,000**	8,026
75 Annandale Road	Tullamarine	VIC	31-Dec-11	6,700	**6,700**	6,700
31 Garden Street	Kilsyth	VIC	31-Dec-11	7,600	**7,800**	6,900
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-11	155,000	**159,000**	151,000
13 Business Street	Yatala	QLD	31-Dec-11	14,000	**14,000**	15,200
29 Business Street	Yatala	QLD	30-Jun-12	11,400	**11,400**	10,900
5 Viola Place	Brisbane Airport	QLD	31-Dec-11	11,300	**11,300**	11,300
670 Macarthur Avenue	Pinkenba	QLD	30-Jun-12	8,425	**8,425**	8,425
10 Gassman Avenue	Yatala	QLD	30-Jun-12	4,700	**4,700**	4,700
3 Viola Place	Brisbane Airport	QLD	31-Dec-11	2,750	**1,800**	1,750
Western Australia						
2 Horrie Miller Drive	Perth Airport	WA	31-Dec-11	110,500	**111,000**	108,000
New South Wales						
134 Lilkar Road	Goulburn	NSW	31-Dec-11	69,000	**71,000**	67,500
81 Derby Street	Silverwater	NSW	31-Dec-11	13,600	**13,600**	13,100
South Australia						
599 Main North Road	Gepps Cross	SA	31-Dec-11	56,000	**57,000**	55,000
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-11	10,700	**10,700**	10,700
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-11	7,500	**7,500**	7,500
Total Industrial Properties				827,475	**834,225**	807,932

NOTE 14: INVESTMENT PROPERTIES (CONT.)

			Latest External Valuation		Consolidated Book Value	
Office Properties			Date	Valuation	30-Jun-12	30-Jun-11
				$'000	$'000	$'000
Victoria						
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-12	74,000	**74,000**	73,145
Building 1&3, 572-576 Swan Street	Richmond	VIC	30-Jun-12	51,000	**51,057**	46,599
Queensland						
333 Ann Street	Brisbane	QLD	31-Dec-11	110,000	**116,278**	-
CB1, 22 Cordelia Street	South Brisbane	QLD	31-Dec-11	64,500	**67,953**	-
52 Merivale Street	South Brisbane	QLD	31-Dec-11	64,000	**65,000**	63,100
32 Cordelia Street	South Brisbane	QLD	30-Jun-12	64,000	**64,000**	62,000
CB2, 42 Merivale Street	South Brisbane	QLD	31-Dec-11	32,500	**34,412**	-
32 Cordelia Street (Car park)	South Brisbane	QLD	31-Dec-11	11,000	**11,000**	9,850
South Australia						
33-39 Richmond Road	Keswick	SA	31-Dec-11	52,500	**53,400**	50,500
7 Laffer Drive	Bedford Park	SA	30-Jun-12	17,000	**17,000**	18,849
Tasmania						
89 Cambridge Park Drive	Cambridge	TAS	30-Jun-12	25,500	**25,500**	25,560
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-12	56,000	**55,821**	-
Total Office Properties				622,000	**635,421**	349,603
Sub-totals				1,449,475	**1,469,646**	1,157,535
Less: amounts classified as receivables (rental income recognised on a straight line basis)					**(46,069)**	(43,113)
Total investment properties					**1,423,577**	1,114,422

(A) 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 Jones Lang LaSalle, Colliers International, Savills, m3property and Knight Frank. Properties not externally valued as at 30 June 2012 were based on director valuations.

At each reporting date the Directors update their assessment of the fair value of each property in accordance with the accounting policy detailed at note 3(b).

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 reliable 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.

NOTE 14: INVESTMENT PROPERTIES (CONT.)

At reporting date the key assumptions used by the Group in determining fair value were in the following ranges for the Group's portfolio of properties:

	2012	2011
Discount rate	**9.0% - 10.8%**	9.3% - 11.0%
Terminal yield	**8.3% - 10.5%**	8.0% - 10.8%
Capitalisation rate	**8.0% - 10.0%**	8.0% - 11.0%
Expected vacancy period	**3-12 months**	6-12 months
Rental growth rate	**2.5% - 4.5%**	2.5% - 4.0%

Commentary on Discount Rates

As the above table shows, over the 12 months to 30 June 2012 the spread in discount rates utilised in the valuation of the Group's property portfolio contracted slightly. At the reporting date, the average discount rate utilised in valuing the Group's portfolio of property has decreased by 20 basis points, however, over this same period the implied property risk premium has increased by approximately 180 basis points. The implied property risk premium is the spread between the average discount rate and the 10 Year Australian Government Bond Rate. The increase in the implied property risk premium is being primarily driven by falling bond rates as investors channel funds into safer assets.

Commentary on Capitalisation Rates

Industrial

The underlying case for the increase in investment property value is attributable to recent transparency of comparable sales activity in the prime industrial property market compared to the previous period. At the end of 2011, the industrial property market was dominated by a collection of high value sales of prime assets at yields between 7.50% and 8.50%. The sales occurred as part of portfolio sales and single asset transactions, providing strong yield evidence for the Group's own high value industrial properties which reduced the weighted average capitalisation rate used to value the industrial portfolio from 8.6% to 8.4% over the year to 30 June 2012.

Office

The capitalisation rates used in valuing the Group's office portfolio remained broadly stable over the year. Certain properties did, however, enjoy valuation uplifts from improving market rents.

(B) 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 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.

(C) CONTRACTUAL OBLIGATIONS

The Group has entered into a contract to purchase a property at 10-12 Mort Street, Canberra, Australian Capital Territory for a total price of $55,800,000. This property has therefore been included with the investment property portfolio at cost. A corresponding entry for $53,010,000 (being the purchase price less deposits paid) is included in "trade and other payables" within the Statement of Financial Position. The contract for sale and purchase of the property is expected to complete on 27 August 2012.

The Group has entered into a contract to purchase a carpark property at the Botannica Corporate Park, 572-576 Swan Street, Richmond, Victoria for a total price of $1,000,000. This property has therefore been included with the investment property portfolio at cost. A corresponding entry for $950,000 (being the purchase price less deposits paid) is included in "trade and other payables" within the Statement of Financial Position. The contract for sale and purchase is currently awaiting ministerial consent and are expected to complete once this has been obtained.

Refer to note 28 for disclosure of other contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

NOTE 14: INVESTMENT PROPERTIES (CONT.)

(D) AMOUNTS RECOGNISED IN PROFIT AND LOSS FOR INVESTMENT PROPERTIES

	2012	2011
	$'000	*$'000*
Rental income	**124,005**	88,419
Straight line adjustment to rental income	**2,957**	8,377
Net gain/(loss) from fair value adjustment	**30,117**	(3,965)
Loss on sale of investment properties	**(88)**	(190)
Direct operating expenses from property that generated rental income	**(15,063)**	(9,217)
	141,928	83,424

(E) LEASING ARRANGEMENTS

The majority of the investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows:

	2012	2011
	$'000	*$'000*
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:		
Within one year	**135,153**	105,113
Later than one year but not later than 5 years	**495,898**	419,354
Later than 5 years	**402,222**	495,784
	1,033,273	1,020,251

(F) RECONCILIATION

	2012	2011
	$'000	*$'000*
At Fair value		
Opening balance	**1,114,422**	719,174
Acquisitions / capital expenditure	**279,126**	412,803
Disposals	**-**	(8,200)
Reclassification to available for sale	**-**	(5,200)
Net loss on disposals	**(88)**	(190)
Net gain/(loss) from fair value adjustment	**30,117**	(3,965)
Closing balance at 30 June	**1,423,577**	1,114,422

NOTE 15: OTHER RECEIVABLES

	2012	2011
	$'000	$'000
Payments made to acquire investment properties:		
1231-1241 Sandgate Road, Nundah, QLD	**52,003**	168
Building C, 219-247 Pacific Highway, Artarmon, NSW	**48,787**	-
	100,790	168

The Group has entered into a "Delivery Agreement" with Property Solutions Group in relation to the property at 1231-1241 Sandgate Road, Nundah, Queensland under which Property Solutions Group will construct an office building with the Group providing funds on a fund through basis. The contract price for the development has been fixed at $69,500,000 and the land was purchased for $9,000,000. Payments for the land, acquisition costs and development relating to this asset total $52,003,000 as at 30 June 2012 (June 2011: $168,000). The asset will be included within Investment Properties upon the Group taking on all risks and rewards associated with the property at practical completion, scheduled to occur in or around November 2012. In the Group's judgement, the risks and rewards of ownership have not yet transferred to the Group as the Group holds a put option which allows the Group to put the property back to the developer in exchange for all moneys outlaid to that date if, among other things, the developer does not comply with its obligations under the Delivery Agreement. Interest earned on payments to the developer during the year was $2,593,000 and is included in Interest Income in the Consolidated Statement of Comprehensive Income (June 2011: nil).

The Group has entered into a Delivery Agreement with Lindsay Bennelong Developments in relation to the property at 219-247 Pacific Highway, Artarmon, New South Wales under which Lindsay Bennelong Developments will construct an office building with the Group providing funds on a fund through basis. The contract price for the development has been fixed at a minimum of $68,689,985 and a maximum of $70,009,125, depending on the weighted average lease expiry (by lettable area) achieved for the property at practical completion. The land was purchased for $14,000,000. Payments for the land, acquisition costs and development relating to this asset total $48,787,000 as at 30 June 2012 (June 2011: nil). The asset will be included within Investment Properties upon the Group taking on all risks and rewards associated with the property at practical completion, scheduled to occur in or around December 2012. In the Group's judgement, the risks and rewards of ownership have not transferred to the Group as the Group holds a put option which allows the Group to put the property back to the developer in exchange for all moneys outlaid to that date if, among other things, the developer does not comply with its obligations under the Delivery Agreement. Interest earned on payments to the developer during the year was $1,044,000 and is included in Interest Income in the Consolidated Statement of Comprehensive Income (June 2011: nil).

NOTE 16: TRADE AND OTHER PAYABLES

	2012	2011
	$'000	$'000
Trade payables	**26**	248
Non-trade payables	**98**	61
GST payable	**270**	839
Accrued expenses - other	**5,546**	3,846
Prepaid rent	**8,693**	6,590
Settlement of contracts to acquire investment properties	**53,960**	-
	68,593	11,584

NOTE 17: INTEREST BEARING LIABILITIES

	2012	2011
	$'000	*$'000*
Secured		
Bank loans	**738,169**	668,713
Less unamortised upfront costs	**(5,713)**	(1,471)
Interest bearing liabilities	**732,456**	667,242
Total secured non-current borrowings	**738,169**	668,713

(A) TOTAL SECURED LIABILITIES

The total secured liabilities (current and non-current) are as follows:

	2012	2011
	$'000	*$'000*
Bank loans	**738,169**	668,713
Total secured liabilities	**738,169**	668,713

(B) ASSETS PLEDGED AS SECURITY

The bank loans and bills payable of the Group are secured by first mortgages over the Group's freehold land and buildings, including those classified as investment properties.

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

	2012	2011
	$'000	*$'000*
Current		
Floating charge		
Cash and cash equivalents	**35,289**	24,144
Receivables	**1,037**	2,791
Assets held for sale	**-**	5,200
	36,326	32,135
Non-current		
First mortgage		
Investment properties	**1,423,577**	1,114,422
Receivables	**46,069**	43,113
Other receivables	**100,790**	168
Floating charge		
Plant and equipment	**46**	46
Deferred tax assets	**274**	226
Total non-current assets pledged as security	**1,570,756**	1,157,975
Total assets pledged as security	**1,607,082**	1,190,110

NOTE 17: INTEREST BEARING LIABILITIES (CONT.)

(C) BANK LOANS

The Group currently has two separate bank loans.

The first bank loan is provided under a syndicated Australian dollar facility. Details of this facility are provided below:

Tranche	Type	Amount	Maturity
		$'000	
1	Variable	**255,000**	31-Dec-14
2	Variable	**255,000**	31-Dec-15
3	Variable	**255,000**	31-Dec-16
		765,000	

The second bank facility of $70,000,000 is a bilateral facility with a variable interest rate and is repayable in April 2016.

The weighted average interest rate (including bank margin) at 30 June 2012 was 7.25% (2011: 7.70%). Refer to note 18 for details on interest rate swaps.

(D) RISK EXPOSURES

Information about the Group's exposure to interest rate changes is provided in note 5.

(E) FAIR VALUE

The carrying amounts approximate the fair values of borrowings at balance date.

NOTE 18: DERIVATIVE FINANCIAL INSTRUMENTS

	2012	2011
	$'000	*$'000*
Interest rate swap contracts – carried at fair value through profit and loss:		
Total current derivative financial instrument liabilities	**-**	689
Total non-current derivative financial instrument liabilities	**39,937**	11,247
	39,937	11,936

(A) 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 rates in accordance with the Group's financial risk management policies (refer to note 5). The gain or loss from re-measuring the interest rate swaps at fair value is recognised in the statement of comprehensive income immediately.

NOTE 18: DERIVATIVE FINANCIAL INSTRUMENTS (CONT.)

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

Swaps in effect at 30 June 2012 covered 94% (2011: 80%) of the loan principal outstanding. The average fixed interest rate at 30 June 2012 was 4.79% (2011: 5.67%) and the variable rate (excluding bank margin) is 3.61% (2011: 4.96%) at balance date. See table below for further details of swaps in effect at 30 June 2012:

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*%*	*Years*
NAB	**270,000**	Dec-2016	**5.24%**	4.5
Westpac	**105,000**	Dec-2016	**5.19%**	4.5
NAB	**60,000**	Jun-2017	**3.38%**	5.0
ANZ	**100,000**	Sep-2013	**5.00%**	1.3
Westpac	**40,000**	Oct-2014	**4.05%**	2.3
Westpac	**50,000**	Jan-2017	**4.15%**	4.6
ANZ	**50,000**	Jan-2017	**4.12%**	4.6
NAB	**20,000**	Apr-2016	**4.54%**	3.8
	695,000		**4.79%**	3.9

The 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. The contracts are settled on a net basis.

At balance date these contracts were liabilities with a fair value of $39,937,000 (2011: a liability of $11,936,000) for the Group. In the year ended 30 June 2012 there was a loss from the decrease in fair value of $28,001,000 for the Group (2011: gain of $2,841,000).

(B) RISK EXPOSURES

Information about the Group's exposure to credit risk and interest rate risk is provided in note 5.

(C) 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).

	Level 1	Level 2	Level 3	**Total**
30 June 2012				
Derivative financial liabilities	-	39,937	-	**39,937**
	-	39,937	-	**39,937**
30 June 2011				
Derivative financial liabilities	-	11,936	-	**11,936**
	-	11,936	-	**11,936**

NOTE 19: NET TANGIBLE ASSET BACKING

	2012	2011
Basic and diluted NTA per stapled security	**$1.93**	$2.01
Number of stapled securities outstanding at the end of the period used in the calculation of basic and diluted net tangible asset backing (NTA) per stapled security (note 3(j)).	**379,476,246**	237,577,520

There were increases to NTA per stapled security of $0.10 due to property revaluations during the year. However, there were decreases to the NTA per stapled security of $0.13 due to swap revaluations and payments as well as a further decrease of $0.05 per stapled security due to equity raising costs and other minor items.

NOTE 20: CASH FLOW INFORMATION

	2012	2011
	$'000	*$'000*
(a) Reconciliation of cash at end of year		
Cash and cash equivalents balance	**35,289**	24,144
(b) Reconciliation of net operating profit to net cash inflow from operating activities		
Net profit / (loss) for the period	**49,487**	43,373
Fair value adjustment to investment property	**(30,117)**	3,965
Loss on sale of investment properties	**88**	190
Fair value adjustment to derivatives	**28,001**	(2,841)
Loss on settlement of derivatives	**13,168**	-
Amortisation of borrowing costs	**(4,242)**	1,548
Interest received	**(4,678)**	(863)
Distribution receivable	**-**	(2,166)
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
- Increase in receivables	**(2,050)**	(10,711)
- Decrease / (increase) in prepayments	**928**	(16)
- Increase in deferred tax asset	**48**	212
- Increase in payables	**3,409**	4,379
Net cash inflow from operating activities	**54,042**	37,070

NOTE 21: CONTRIBUTED EQUITY

	2012	2012	2011	2011
	No. ('000)	$'000	No. ('000)	$'000
Opening balance at 1 July	**237,578**	**662,924**	159,620	515,579
Issues of ordinary stapled securities during the year:				
Rights issue	**141,572**	**268,986**	53,158	101,000
Securities issued through Employee Share Plan	**68**	**-**	-	-
Securities issued on acquisition of assets	**258**	**-**	24,800	48,830
Costs of raising capital	**-**	**(6,809)**	-	(2,485)
	141,898	**262,177**	77,958	147,345
Closing balance at 30 June	**379,476**	**925,101**	237,578	662,924

(A) 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.

(B) DISTRIBUTION REINVESTMENT PLAN

The Group introduced a new Distribution Reinvestment Plan in May 2012 and cancelled the previous plan which had been suspended. The new Distribution Reinvestment Plan was operative for the distribution the Group has declared for the six months ended 30 June 2012.

(C) 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:

- Enlargement and expansion of its syndicated debt facility with NAB, Westpac and ANZ to $765 million. As a result of the revised agreement, a third of the facility matures in December 2014, 2015 and 2016, respectively.
- Addition of a bilateral debt facility for a value of $70 million with NAB maturing in April 2016 secured by the Group's properties in Artarmon, New South Wales and Keswick, South Australia.
- Introduction of a Distribution Reinvestment Plan which is operational for the distribution payable on or about 31 August 2012.
- Continued interest rate hedging, providing an average hedged interest rate of 4.79% prior to bank lending margin (2011: 5.67% per annum) for $695 million equating to 94% of the Group's debt, for an average duration of 3.9 years as at 30 June 2012.

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 by total assets.

NOTE 21: CONTRIBUTED EQUITY (CONT.)

During 2012, the Group's strategy was to maintain gearing within the range 45% to 60%. At 30 June 2012, the gearing ratio was 45.6% (2011: 56.1%). The gearing ratios at 30 June 2012 and 30 June 2011 were as follows:

	2012	2011
	$'000	*$'000*
Total interest bearing liabilities	**732,456**	667,242
Total assets	**1,607,082**	1,190,110
Gearing ratio	**45.6%**	56.1%

NOTE 22: SHARE-BASED PAYMENT ARRANGEMENTS

At 30 June 2012 the Group has the following share based payment arrangements:

EMPLOYEE INCENTIVE PLAN FY 2011 AND EMPLOYEE INCENTIVE PLAN FY 2012

The Group has introduced Employee Incentive Plans ("EIP") for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the strategic long term goals and performance of the Group and with 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 pages 56-59 in the remuneration report section of the directors' report.

Under each plan the 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, except for the managing director whose grant date is the same date as the grant is ratified at the Group's Annual General Meeting. The percentage of the maximum possible earnings for each employee is determined by the percentage of the measures under the 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 the 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 20 trading days preceding their issue. 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.

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 2012, where those values can be determined. It also outlines the value of performance rights that were issue as Stapled Securities in the Group.

FY 2011 Employee Incentive Plan	Value of performance rights granted during 2012	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 FY 2012
	$		*$*	*No.*	*$*	*%*
Director	303,480	25/11/2011	78,870	40,128	224,610	25%
Employees	215,367	30/09/2011	50,752	28,430	164,615	25%

NOTE 23: CONTROLLED ENTITIES

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in note 3(a):

Name of entity	Country of incorporation	Class of units / shares	Equity holding*	
			2012	2011
			%	%
Wholesale Industrial Property Fund	Australia	Ordinary	**100.00**	100.00
Rowville Property Trust	Australia	Ordinary	**100.00**	100.00
Kilsyth 1 Property Trust	Australia	Ordinary	**100.00**	100.00
Kilsyth 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Queensland Property Trust	Australia	Ordinary	**100.00**	100.00
New South Wales Property Trust	Australia	Ordinary	**100.00**	100.00
Coolaroo Property Trust	Australia	Ordinary	**100.00**	100.00
Broadmeadows Leasehold Trust	Australia	Ordinary	**100.00**	100.00
Scoresby 1 Property Trust	Australia	Ordinary	**100.00**	100.00
Scoresby 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Scoresby 3 Property Trust	Australia	Ordinary	**100.00**	100.00
Laverton Property Trust	Australia	Ordinary	**100.00**	100.00
Preston 1 Property Trust	Australia	Ordinary	**100.00**	100.00
Preston 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Goulburn Property Trust	Australia	Ordinary	**100.00**	100.00
Growthpoint Properties Australia Limited	Australia	Ordinary	**100.00**	100.00
Growthpoint Nominees (Aust) Pty Limited	Australia	Ordinary	**100.00**	100.00
Eagle Farm Property Trust	Australia	Ordinary	**100.00**	100.00
Yatala 1 Property Trust	Australia	Ordinary	**100.00**	100.00
Yatala 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Yatala 3 Property Trust	Australia	Ordinary	**100.00**	100.00
South Brisbane 1 Property Trust	Australia	Ordinary	**100.00**	100.00
South Brisbane 2 Property Trust	Australia	Ordinary	**100.00**	100.00
SW1 Car Park Trust	Australia	Ordinary	**100.00**	100.00
World Park Property Trust	Australia	Ordinary	**100.00**	100.00
Building 2 Richmond Property Trust	Australia	Ordinary	**100.00**	100.00
Derrimut Property Trust	Australia	Ordinary	**100.00**	100.00
Dandenong South Property Trust	Australia	Ordinary	**100.00**	100.00
Nundah Property Trust	Australia	Ordinary	**100.00**	100.00
Rabinov Property Trust	Australia	Ordinary	**100.00**	98.97
Rabinov Property Trust No. 2	Australia	Ordinary	**100.00**	98.97
Rabinov Property Trust No. 3	Australia	Ordinary	**100.00**	98.97
Ann Street Property Trust	Australia	Ordinary	**100.00**	-
CB Property Trust	Australia	Ordinary	**100.00**	-
New South Wales 2 Property Trust	Australia	Ordinary	**100.00**	-
Richmond Car Park Trust	Australia	Ordinary	**100.00**	-
Mort Street Property Trust	Australia	Ordinary	**100.00**	-

*The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 24: RELATED PARTY DISCLOSURES

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.

KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel compensation comprised:

	2012	2011
	$	*$*
Short-term employee benefits	**2,077,413**	1,717,176
Other long term employee benefits	**-**	-
Post-employment benefits	**61,314**	63,229
Termination benefits	**-**	-
Share-based payments	**357,321**	-
	2,496,048	1,780,405

INDIVIDUAL DIRECTORS AND EXECUTIVES COMPENSATION DISCLOSURES

Information regarding individual directors and executives compensation and some 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.

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*	**2012**	2011
		$	*$*
G. Jackson (i)	Valuation	**1,000**	12,000

There were no amounts payable at 30 June 2012 (2011: nil).

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value one property. 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.

NOTE 24: RELATED PARTY DISCLOSURES (CONT.)

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:

2012

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	*No.*	*No.*	*No.*	*No.*
D. Spruell[1]	**127,260**	-	140,810	-	**n/a**
G. Jackson	**36,619**	-	46,053	-	**82,672**
L. Shaddock	**280,000**	-	210,000	-	**490,000**
N. Sasse	**536,603**	-	182,550	-	**719,153**
E. de Klerk	**353,279**	-	154,283	-	**507,562**
T. Collyer	**18,304**	40,128	24,373	-	**82,805**
A. Hockly	**2,000**	8,778	16,000	(18,600)	**8,178**
D. Andrews	**-**	8,193	2,458	-	**10,651**
M. Green	**-**	8,193	2,458	-	**10,651**

1. Resigned from the board on 19 March 2012.

During the year to 30 June 2012, a total of 65,292 stapled securities with a total value of $123,728 were issued to key management personnel upon vesting of Performance Rights under the Employee Incentive Scheme.

2011

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	*No.*	*No.*	*No.*	*No.*
D. Spruell	**95,445**	-	31,815	-	**127,260**
G. Jackson	**15,566**	-	21,053	-	**36,619**
L. Shaddock	**200,000**	-	80,000	-	**280,000**
N. Sasse	**359,965**	-	176,638	-	**536,603**
E. de Klerk	**236,329**	-	116,950	-	**353,279**
T. Collyer	**21,964**	-	7,322	(10,982)	**18,304**
A. Hockly	**-**	-	2,000	-	**2,000**

No shares were granted to key management personnel during the reporting period as compensation in the year to 30 June 2011.

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.

RESPONSIBLE ENTITY'S/MANAGER'S FEES AND OTHER TRANSACTIONS

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

NOTE 24: RELATED PARTY DISCLOSURES (CONT.)

TRANSACTIONS WITH SIGNIFICANT SHAREHOLDERS

The following transactions occurred with significant shareholders including Growthpoint Properties South Africa, the ultimate parent entity, which is incorporated in South Africa:

	2012	2011
	$	$
Growthpoint South Africa		
Payment of nominee Directors' fees	-	52,500
Payment of underwriting fees	2,953,697	-

There were no balances outstanding from transactions with significant shareholders as at 30 June 2012 (2011: nil).

NOTE 25: REMUNERATION OF AUDITORS

During the year to 30 June 2012 the following fees were paid or payable for services provided by the auditor of the Group:

	2012	2011
	$	$
(a) Audit services		
KPMG	189,191	159,240

There were no payments for other services to the auditor.

NOTE 26: EARNINGS PER STAPLED SECURITY

	2012	2011
Weighted average number of stapled securities on issue for the year	325,302,298	201,291,660
Basic & diluted earnings per stapled security - cents	15.2	21.5

NOTE 27: CONTINGENT LIABILITIES

The Group has no contingent liabilities as at the date of this report.

NOTE 28: COMMITMENTS

For details of property commitments see Note 14 (c) and Note 15 above.

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.

NOTE 29: PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2012 the parent of the Group was Growthpoint Properties Australia Trust.

	2012	2011
	$'000	*$'000*
Result of the parent entity		
Profit / (loss) for the period	**49,626**	43,488
Other comprehensive expense	**(57,383)**	(36,480)
Total comprehensive (expense) / income for the period	**(7,757)**	7,008
Financial position of the parent entity at year end		
Current assets	**34,572**	30,467
Total assets	**1,605,008**	1,188,170
Current liabilities	**130,173**	50,844
Total liabilities	**902,566**	729,333
Net assets	**702,442**	458,837
Total equity of the parent entity comprising of:		
Contributed equity	**894,804**	643,441
Retained losses	**(192,362)**	(184,604)
Total equity	**702,442**	458,837

The contractual obligations of the parent entity are identical to those disclosed on Note 14 (c).

NOTE 30: SUBSEQUENT EVENTS

On 16 July 2012 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 2012 in respect of the 29 June 2012 record date will be $2.02 per stapled security.

Approximately 66.4% of Growthpoint's distribution payable on or around 31 August 2012 will be issued new stapled securities under the DRP raising $21,554,188 for the issue of 10,670,390 new stapled securities. Total stapled securities on issue following the DRP will be 390,146,636.

On 25 July 2012, the Group replaced a $100 million vanilla interest rate swap which matured in September 2013 and had a fixed rate of 4.995% with a $100 million vanilla interest rate swap maturing in September 2016 with a fixed rate of 3.80%. As a result, the weighted averaged fixed rate on hedged debt reduced to 4.61% per annum (before margin) from 4.79% per annum and the weighted average duration of hedged debt increased to 4.4 years from 3.9 years.

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 56 to 62, are in accordance with the *Corporations Act 2001*, including:

  i) complying with Australia 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 2012 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 2

(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 from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2012.

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

T.J. Collyer.

Timothy Collyer
Managing Director

Melbourne, 20 August 2012

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 for the financial year ended 30 June 2012 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

Darren Scammell
Partner

Melbourne

20 August 2012

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

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 Limited and Growthpoint Properties Australia Trust

Report on the financial report

We have audited the accompanying financial report of Growthpoint Properties Australia (the Group), which comprises the consolidated statement of financial position as at 30 June 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Growthpoint Properties Australia Limited (the Company), Growthpoint Properties Trust (the Trust), and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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

KPMG

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2.

Report on the remuneration report

We have audited the Remuneration Report included in pages 56 to 62 of the directors' report for the year ended 30 June 2012. The directors of Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Growthpoint Properties Australia for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Darren Scammell

Darren Scammell
Partner

Melbourne

20 August 2012

About Growthpoint South Africa

Growthpoint Properties Limited of South Africa ("Growthpoint SA") is the majority securityholder in Growthpoint Properties Australia.

Growthpoint SA is an internally managed property investment group, incorporated and registered as a public company and listed on the Johannesburg Securities Exchange Limited (JSE).

Growthpoint SA is included in the JSE Top 40 index, the FTSE EPRA/NAREIT Emerging Market Index and the MSCI Emerging Market Index as well as the JSE's Socially Responsible Investments Index.

Since 2001, Growthpoint SA has built a sizeable and high quality portfolio through the acquisition of direct property portfolios as well as merger and acquisition activity within the South African listed property sector.

Growthpoint SA is the largest listed property group on the JSE and has property assets valued at approximately A$5.9 billion (excluding GOZ) and a market capitalisation of approximately A$5.2 billion. This represents more than a 1000 times growth in the 10 years since 2001, when Growthpoint SA's market capitalisation was less than A$4 million.

Growthpoint SA's securities are widely held by leading International and South African institutional investors who collectively hold in excess of 82% of Growthpoint SA's issued securities. The Government Employees Pension Fund managed by the Public Investment Corporation is the largest unit holder at 27.3% of total Growthpoint SA securities on issue, with non-South African investors holding approximately 11.8%.

Further information regarding Growthpoint SA is available at www.growthpoint.co.za.

Securityholders information

SUBSTANTIAL SECURITYHOLDERS

The number of stapled securities held by the Group's substantial securityholders as disclosed in substantial holding notices received as at 5 September 2012 is as follows:

Name	Stapled Securities
Growthpoint Properties Limited	254,929,125
Coronation Asset Management	30,608,019
Strategic Real Estate Managers (Pty) Ltd on behalf of Emira Property Fund	23,840,794
Rabinov Holdings	20,677,179

20 LARGEST SECURITYHOLDERS (AS AT 5 SEPTEMBER 2012)

Name	Number of Stapled Securities held	Percentage of Total Stapled Securities (%)
GROWTHPOINT PROPERTIES LIMITED	254,929,125	65.34
NATIONAL NOMINEES LIMITED	29,357,120	7.52
STRATEGIC REAL ESTATE MANAGERS (PTY) LTD <EMIRA PROPERTY FUND A/C>	23,840,794	6.11
RABINOV HOLDINGS PTY LTD	15,151,971	3.88
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <APN A/C>	6,873,052	1.76
J P MORGAN NOMINEES AUSTRALIA LIMITED	5,971,973	1.53
BNP PARIBAS NOMS PTY LTD <DRP>	5,662,418	1.45
CITICORP NOMINEES PTY LIMITED	4,930,529	1.26
SHARON INVESTMENTS PTY LTD	4,752,000	1.22
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,642,219	1.19
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	1,657,749	0.42
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,246,044	0.32
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	945,255	0.24
TALSTON PTY LTD <THE TALSTON A/C>	624,000	0.16
BNP PARIBAS NOMS PTY LTD <MASTER CUST DRP>	615,955	0.16
GABA PTY LTD <SUPER FUND A/C>	500,000	0.13
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED <PI POOLED A/C>	493,195	0.13
SHADDOCK PROPERTIES PTY LTD <APPRECIATING NOM STAFF A/C>	490,000	0.13
UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	414,835	0.11
MRS CLAIRE MARIA D'ADORANTE	400,440	0.10
Total	**363,498,674**	**93.17**

DISTRIBUTION OF SECURITYHOLDERS (AS AT 5 SEPTEMBER 2012)

Range	Total Holders	Stapled Securities	Percentage of Total Stapled Securities (%)
1 - 1,000	588	351,285	0.09
1,001 - 5,000	1,170	3,181,489	0.82
5,001 - 10,000	420	3,108,718	0.80
10,001 - 100,000	538	13,342,609	3.42
100,001 and over	53	370,162,535	94.88
Total	**2,769**	**390,146,636**	**100.00**

As at 5 September 2012, there were 390,146,636 fully-paid stapled securities held by 2,769 individual securityholders.

2012/2013 SECURITYHOLDER CALENDAR[1]

Distribution paid for the half year ended 30 June 2012	31 August 2012
Annual Tax Statement for year ended 30 June 2012 mailed	31 August 2012
Annual General Meeting (to be held in Brisbane)	27 November 2012
Results for the half year ended 31 December 2012 announced to ASX	18 February 2013
Distribution paid for the half year ended 31 December 2012	28 February 2013
Half year report published	22 March 2013
Results for the year ended 30 June 2013 announced to ASX	19 August 2013
Distribution paid for the half year ended 30 June 2013	30 August 2013
Annual Tax Statement for year ended 30 June 2013 mailed	30 August 2013
2013 Annual Report published	16 September 2013

1. Dates subject to change by the Board

Company directory

GROWTHPOINT PROPERTIES AUSTRALIA

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

Growthpoint Properties Australia Trust
ARSN 120 121 002

Level 10, 379 Collins Street,
Melbourne VIC 3000 Australia*

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

www.growthpoint.com.au

Investor Services Line: 1800 260 453

*Note that in December 2012 the Group will be relocating to: Level 22, 357 Collins Street, Melbourne VIC 3000 Australia. Other than the street address, all other contact details will remain the same.

SHARE REGISTRY

COMPUTERSHARE INVESTOR SERVICES

Yarra Falls, 452 Johnston Street,
Abbotsford VIC 3067 Australia

Phone (within Australia): 1300 850 505
Phone (outside Australia): +61 3 9415 4000
Fax: +61 3 9473 2500

www.computershare.com

AUDITOR

KPMG

147 Collins Street,
Melbourne VIC 3000 Australia

◀ **DIVERSIFIED DEVELOPMENTS**

SW1 COMPLEX, BRISBANE, QLD An innovative urban village, offering an integrated mixed-use development in Brisbane's thriving Southbank area. Growthpoint now owns four "A-grade" office buildings within the complex.

Growthpoint Properties Australia
Level 10, 379 Collins Street,
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Investor Services line: 1800 260 453