# 2014 HALF YEAR REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

GROWTHPOINT PROPERTIES AUSTRALIA

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

# CONTENTS



## THE DIRECTORS' REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2013

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 six months ended 31 December 2013.

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.

### 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 period. Further details in relation to the nature of these activities are provided in this report.

### 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. Details of the known key risks and opportunities are provided in this report.

### FURTHER READING ONLINE

WWW

Our website contains important and extended information. This symbol shows that you can find more information online: ***www.growthpoint.com.au***

**INDUSTRIAL PORTFOLIO:**
45-55 SOUTH CENTRE ROAD, MELBOURNE AIRPORT, VICTORIA

*The Directors' Report which follows is signed at Melbourne, 17 February 2014 in accordance with a resolution of the Directors of Growthpoint Properties Australia Limited.*

# INTRODUCTION
## FROM THE CHAIRMAN & MANAGING DIRECTOR

Lyn Shaddock
**Independent Chairman**

Timothy Collyer
**Managing Director**

Over the six months to 31 December 2013, Growthpoint Properties Australia has continued the expansion of its property portfolio through the acquisition of five industrial properties in Victoria and the bringing to completion of a development fund-through of a Linfox pharmaceutical warehouse in New South Wales. We remain focussed on continuing to grow the property portfolio but are also mindful of not diluting the quality of our portfolio.

We have also continued to expand the securityholder register through a $150 million equity raising. The equity raising was significantly oversubscribed and brought several new institutions on to the register. The DRP has been well supported providing additional capital to fund previous and future property acquisitions.

Among other capital management initiatives, we have extended and expanded our debt facilities and significantly reduced balance sheet gearing to within the Group's target range of 40%-45%.

Growthpoint's property portfolio is well leased with a WALE of 6.6 years (significantly above the A-REIT average) and we have maintained a high level of occupancy at 98% after some strong momentum with leasing office space in Brisbane in particular.

Of course, most pleasingly we have been able to grow distributions to securityholders (up 4.4% on the prior corresponding period) and meet our market guidance for the half year of 9.4 cents per stapled GOZ security. We remain on track to achieve a 19.0 cent distribution per stapled GOZ security for the 2014 financial year.

Our strategy has stood the test of time over the last five years with a total return (including distributions and security price increases) of 17.5% per annum to 31 December 2013[1]. We are proud of these results and propose to continue a proven course. We remain well-placed for future asset growth, subject to appropriate opportunities being available, and will continue to seek to secure and increase future distributions to securityholders.

Thank you for your support for Growthpoint Properties Australia.

T.J. Collyer.

Lyn Shaddock
**Independent Chairman, Growthpoint Properties Australia Limited**

Timothy Collyer
**Managing Director, Growthpoint Properties Australia Limited**

1. Source: UBS Investment Research

# AT A GLANCE
## GROWTHPOINT PROPERTIES AUSTRALIA

**Growthpoint Properties Australia** (also referred to in this report as "GOZ" or "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.

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

**OUR PHILOSOPHY** *is to be a pure landlord, with 100% of our income derived from rent under leases with quality tenants from commercial real estate.*

## FOUR PILLARS OF OUR "PURE LANDLORD" INVESTMENT STRATEGY:

### 1. 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.

### 2. NOT A DEVELOPER

The Group does not operate a property development business and does not intend to take on any significant development risk. It will likely continue to purchase properties to be developed, fund construction of developments, or enter a joint venture where the Group becomes the owner of the property on completion but only where material leases are in place.

### 3. NO FUNDS MANAGEMENT

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.

### 4. INTERNALISED MANAGEMENT

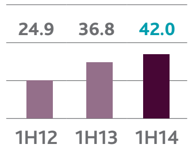
The Group has internalised management via a stapled entity structure. Securityholders own both the property trust and the manager/responsible entity. There are no fees payable to external managers for operating the business and no conflicts of interest between securityholders and the manager/responsible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

## KEY RESULTS

# $42.0m

**DISTRIBUTABLE PROFIT**

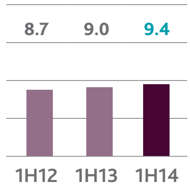
*for the 6 months to 31 December 2013, up 14.2% from the previous corresponding period.*




# 9.4¢

**DISTRIBUTION PER GOZ STAPLED SECURITY**

*for the 6 months to 31 December 2013, up 4.4% from the previous corresponding period.*




# 21.1%

**TOTAL SECURITYHOLDER RETURN FOR CY2013**[1]

# $1.8bn

**PORTFOLIO VALUE**

*a 6.3% increase from 30 June 2013.*

1. Source: UBS Investment Research.

## GOZ BUSINESS LIFE CYCLE

### 1. RAISE CAPITAL:
Raise equity capital from securityholders in South Africa, Australia and elsewhere and debt capital, currently from three major Australian banks.

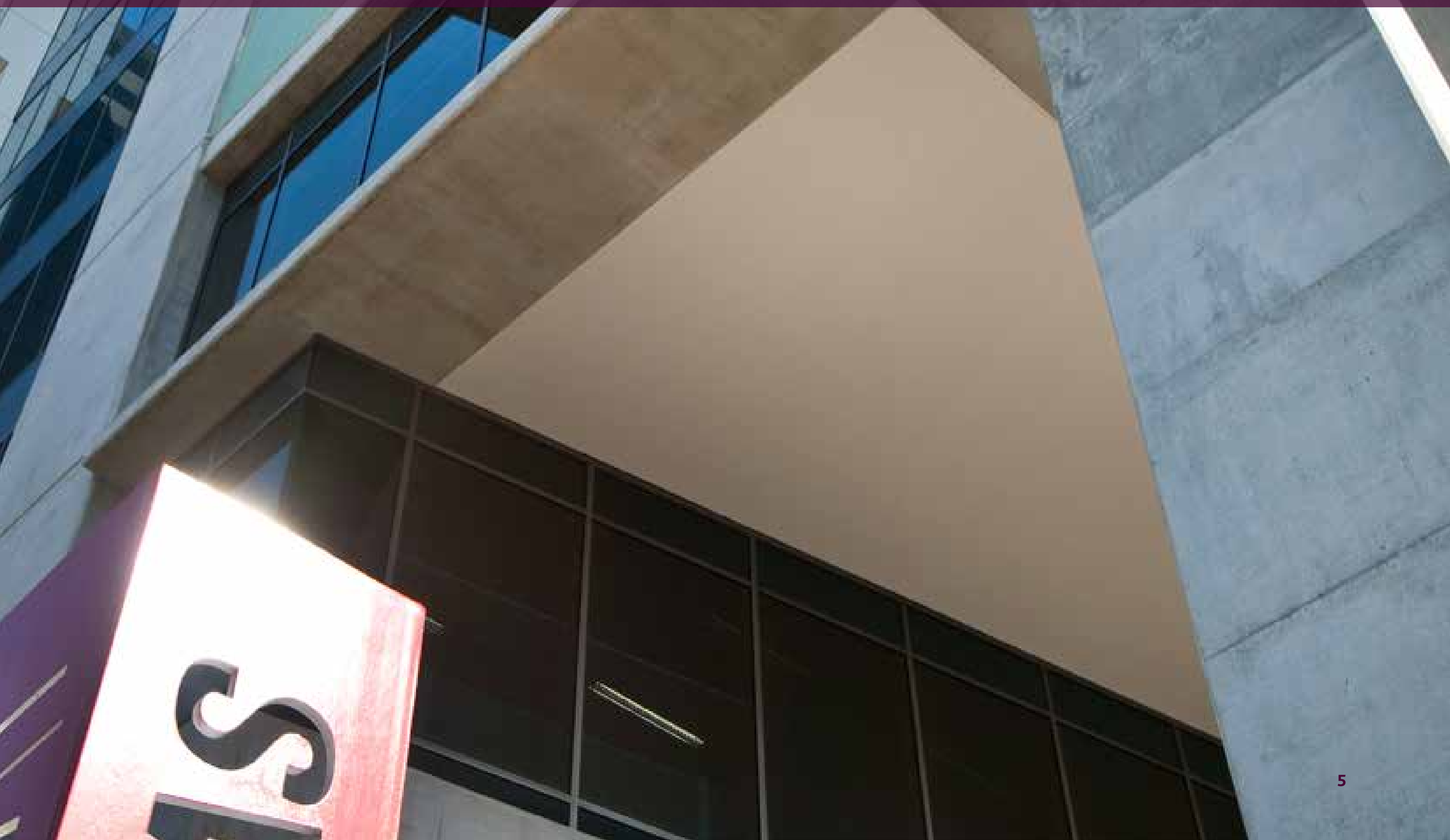
### 2. ACQUIRE:
Well built, well located Australian commercial real estate.

### 3. INCOME FROM LEASES:
Lease vacant space and collect rent from tenants.

### 4. ASSET MANAGEMENT:
Maintain and improve assets through capital expenditure, repairs and maintenance. Sell assets that no longer meet investment criteria.

### 5. PAY COSTS:
Pay interest costs on debt capital and ~0.4% of asset value in management costs.

### 6. DISTRIBUTIONS:
Return as much of the remaining property income to securityholders as deemed prudent.



# HIGHLIGHTS
## FOR THE HALF YEAR

### Growth in profit, distributions and NTA per security drive a strong return on equity. The Group's quality property portfolio has been enhanced and its financial position strengthened

- **Profit** of $63.5 million up 86.9% from the previous corresponding period equating to 15.0 cents earnings per GOZ stapled security, up 71.9% from the previous corresponding period.
- **Distributable income** of $42.0 million up 14.2% from the previous corresponding period. This equates to 9.9 cents per GOZ stapled security, up 5.0% from the previous corresponding period.
- **Distributions** of $39.9 million are due to be paid to securityholders on 28 February 2014, providing a payout ratio of 95%. This equates to 9.4 cents per GOZ stapled security which is consistent with market guidance and a 4.4% increase from the previous corresponding period[1].
- **Distribution guidance:** Directors have provided distributable income guidance for FY 2014 of 19.6 to 20.0 cents per stapled security and FY 2014 distribution guidance of 19.0 cents per stapled security.
- **Net tangible assets:** Net tangible assets (NTA) of the Group total $1.0 billion, equating to $2.11 per stapled security. The NTA per stapled security has grown from $2.00 at 30 June 2013, a 5.5% increase, and from $1.93 at 31 December 2012, a 9.3% increase. The increase in NTA per stapled security is attributable to increases in property values, a reduction in the interest rate swap book liability, Growthpoint retaining profit and the positive effect of issuing new equity at a price above NTA per stapled security.
- **Return on equity**: The return on securityholders' equity, taking into account distributions paid/payable and the change in NTA per stapled security, for the 12 months ended 31 December 2013 was 19.0%.
- **Total securityholder return:** Growthpoint's total securityholder return, taking into account distributions paid/payable and the movement in the GOZ security price for the 12 months ended 31 December 2013 was 21.1%, versus the S&P/ASX 300 Property Accumulation Index of 7.3%[2]. Growthpoint also outperformed during the half year, with a total securityholder return of 7.3% versus the S&P/ASX 300 Property Accumulation Index of -1.3%.

### EQUITY RAISING:

Growthpoint completed a $150 million equity raising at an offer price of $2.45 per new Growthpoint stapled security in October and November 2013 ("Equity Raising"). At the offer price, new stapled securities provide a FY 2014 DPS yield of 7.8%.[3]

The Equity Raising consisted of:

- A $50 million placement to existing and new institutional investors ("Placement"); and
- A $100 million, 1-for-10.15 renounceable rights offer to existing eligible securityholders ("Rights Offer").

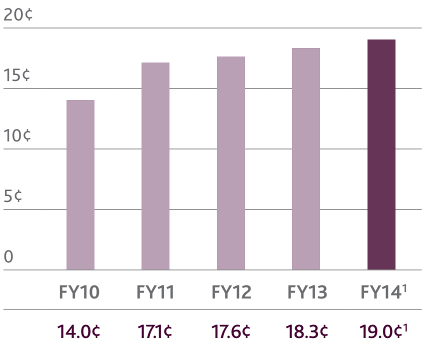
Both the Placement and Rights Offer were oversubscribed (the latter due to existing holders being able to subscribe for additional securities over and above their entitlement).

The Equity Raising supported the acquisition of high-quality industrial assets (see below), a restructure of interest rate swaps and a reduction in gearing.

Additionally, Growthpoint's distribution reinvestment plan ("DRP") has raised equity of approximately $57.6 million since June 2013 with a majority of securityholders electing to reinvest their June 2013 and December 2013 distributions into additional GOZ stapled securities. Participation has averaged 76% for these distributions. In both cases, funds from the DRP have been used to partially fund property acquisitions and to reduce debt.

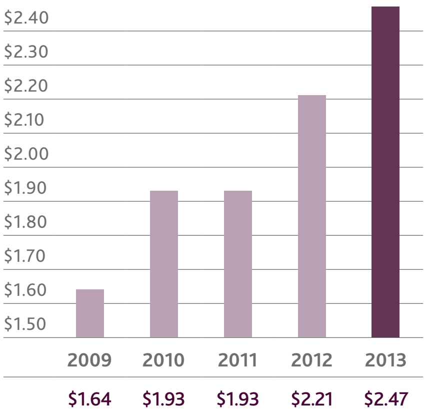
1. Holders of "GOZNA" and "GOZN" securities will receive prorated distributions of 2.6 cents and 1.1 cent per stapled security respectively. These securities have now collapsed into "GOZ".
2. Source: UBS Investment Research.
3. Based on distribution guidance of 19.0 cents per stapled security.

### DISTRIBUTIONS
PER STAPLED SECURITY AS AT 30 JUNE

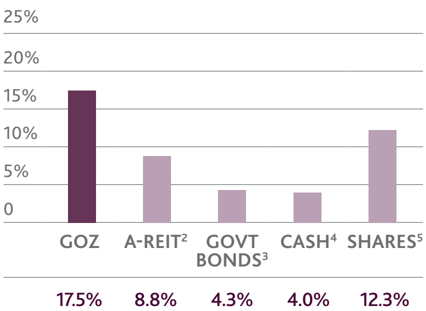



1. Distribution guidance only.

### SECURITY PRICE
AS AT 31 DECEMBER




### TOTAL RETURN COMPARISON
PER ANNUM, OVER 5 YEARS TO 31 DECEMBER 2013[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.


# NEW PROPERTY **ACQUISITION**

### 213-215 ROBINSONS ROAD, RAVENHALL, VIC

High quality office/warehouse and production facility completed in July 2010 and located in the brand new, fully master-planned 30 hectare Orbis Business Park, providing excellent amenities and access to major road infrastructure.

The property is fully leased to Fuji Xerox, one of Australia's leading document printing and copying companies, for 15 years from July 2010.

Located approximately 20 radial kilometres west of the Melbourne CBD within two kilometres of the Deer Park Bypass, providing ready access to the Western Freeway, Princess Highway and Western Ring Road.

**$23.2m**
TOTAL VALUE

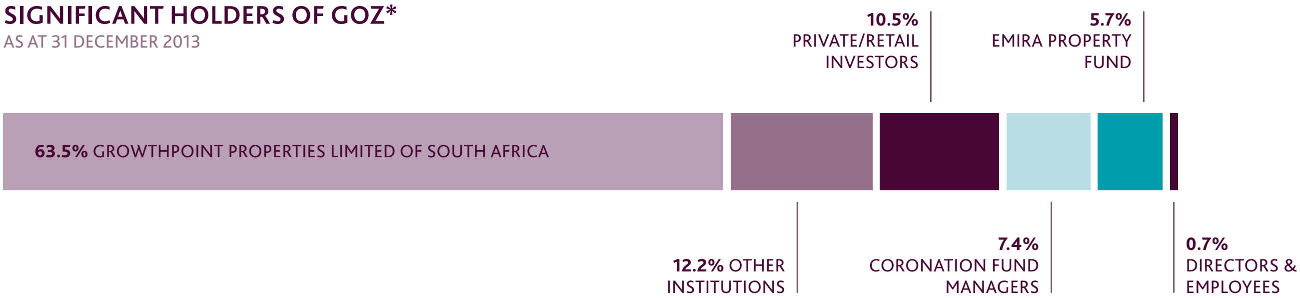
**8.48%**
INITIAL YIELD

**11.6yrs**
WALE

**100%**
OCCUPANCY

## SIGNIFICANT HOLDERS OF GOZ*

AS AT 31 DECEMBER 2013




* Figures are approximate

## PROPERTY ACQUISITIONS

In the half year, Growthpoint announced the following industrial acquisitions:

1. **213-215 Robinsons Road, Ravenhall, Victoria** was purchased for a total consideration of $23.2 million (before transaction costs), providing an initial yield of 8.5%.

   The property is located in the new, master-planned Orbis Business Park, 20 radial kilometres west of the Melbourne CBD. It is strategically located near the Deer Park Bypass, providing ready access to the Western Freeway, Princes Highway and Western Ring Road.

   The building comprises open plan office accommodation, warehouse and production facilities over a net lettable area of 21,092m². Completed in July 2010, the property is fully leased to Fuji Xerox, one of Australia's leading document printing and copying companies, for 15 years from July 2010 with two renewal options each of five years.

2. **120-132 Atlantic Drive, Keysborough, Victoria** is a high-spec 12,864m² warehouse/office facility comprising ambient and temperature-controlled high-bay warehousing, located in the Key Industrial Park immediately adjacent to the Eastlink freeway. The purchase price was $17.3 million (before transaction costs), providing an initial yield of 7.5%.

   Completed in December 2013, it is 100% leased for 15 years to Symbion Pty Ltd, a diversified health services business operating under a number of brands including Symbion Pharmaceutical Services, ChemMart Pharmacy, Pharmacy Choice, Symbion Dental and Terry White Chemists. Symbion is a wholly-owned subsidiary of the New Zealand Stock Exchange listed EBOS Group.

3. A two-building, 17,834m² industrial development located in the Key Industrial Park at **19 & 20 Southern Court, Keysborough, Victoria**, this facility is expected to reach practical completion in March 2014. The total cost is $18.8 million (excluding transaction costs) and will provide an initial yield of 8.25%[4]. The developer, Australand Property Group, provided a five-year rental guarantee for any part of the building not leased at practical completion and Growthpoint will receive a coupon of 7.50% per annum on all amounts paid until practical completion.

4. **9-11 Drake Boulevard, Altona, Victoria**, was completed in December 2013. This 25,743m² industrial development comprises three tenancy areas in the Access Altona Industrial Estate. The total purchase price was $24.1 million (excluding transaction costs) and provided an initial yield of 8.25%[5].

   Unit A of 13,625m² is being marketed for lease, however, is backed by an Australand five-year rent guarantee from practical completion.

   Unit B of 5,481m² has been leased to Atlas Specialty Metals, the largest supplier of stainless steel and specialty steel products in Australia and New Zealand, for a term of five years.

   Unit C of 6,637m² has been leased to Prolife Foods, a privately owned NZ food company that predominantly operates in the New Zealand and Australia, for a five-year term.

These acquisitions continue Growthpoint's strategy of acquiring high-quality, modern industrial assets, located in prime markets with long lease terms and fixed annual rental increases. We continue to seek assets like these to underpin growth in distributable income.

## NEW LEASES

Marking further leasing success for our Brisbane office portfolio, Toyota Tsusho South Pacific Holdings (a subsidiary of Nikkei-listed Toyota Tsusho Corporation which has assets of approximately A$40 billion) signed a new 10-year lease for part of the award-winning SW1, South Brisbane office complex. The lease is for 994m² plus 21 car parks in the **CB1 Building, SW1, 104 Melbourne Street, South Brisbane,** commenced on 1 December 2013, has an option for one additional five-year term, and annual fixed reviews of 3.5% per annum.

The agreement of this lease followed the June announcement that Peabody Energy Australia had committed to a 10-year lease of the entire adjacent 5,762m² **CB2 office building**. These leases highlight the attractiveness of the SW1 complex to corporate tenants: modern buildings, high green credentials, good-sized floor plates, ample parking, excellent staff amenity and a good location in proximity to the CBD and major transport linkages. Lower rent in South Brisbane than for similar quality properties in the Brisbane CBD remains a key consideration for corporate and government tenants.

Anne Street Partners, a financial planning and advice firm, also took a seven-year lease on a whole floor at **333 Ann Street, Brisbane**.

Both the Peabody and Anne Street Partners leases have fixed 3.75% annual reviews, enhancing the underlying rental income growth of the portfolio.

4. A negative yield adjustment leading to a higher purchase price applies if the buildings are let for more than five years by a yield reduction of 0.07% for each additional year above five years up to a maximum increase of 0.35% for 10 years or more.
5. A negative yield adjustment leading to a higher purchase price applies if the buildings are let for more than five years by a yield reduction of 0.07% for each additional year above five years up to a maximum increase of 0.35% for 10 years or more.

## SUMMARY OF MOVEMENTS IN VALUE FOR THE SIX MONTHS TO 31 DECEMBER 2013

| PROPERTY TYPE | *Properties at 30 June 2013* | *Value at 30 June 2013* | *Capex for period* | *Property acquisitions or expansions* | *Property disposals* | *Revaluation gain /(loss)* | *Valuation at 31 December 2013* | *Increase / (decrease) from prior value* | *Properties at 31 December 2013* |
|---|---|---|---|---|---|---|---|---|---|
| | *No.* | *$m* | *$m* | *$m* | *$m* | *$m* | *$m* | *%* | *No.* |
| INDUSTRIAL PORTFOLIO | 29 | 850 | 0.7 | 124.8 | - | 17.3 | 992 | 2.0 | 34 |
| OFFICE PORTFOLIO | 15 | 797 | 0.4 | 1.0 | - | 0.7 | 799 | 0.1 | 15 |
| ***Total portfolio*** | **44** | **1,647** | **1.1** | **125.8** | **-** | **18.0** | **1,792** | **1.1** | **49** |

## KEY DEBT METRICS AND CHANGES DURING THE HALF YEAR

| | *unit of measure* | 31 DECEMBER 2013 | 30 JUNE 2013 | CHANGE |
|---|---|---|---|---|
| TOTAL ASSETS | *$'000* | **1,808,982** | 1,680,398 | 128,584 |
| INTEREST BEARING DEBT | *$'000* | **737,853** | 793,426 | (55,573) |
| TOTAL DEBT FACILITIES | *$'000* | **895,000** | 895,000 | - |
| UNDRAWN DEBT | *$'000* | **157,147** | 101,574 | 55,573 |
| BALANCE SHEET GEARING | *%* | **40.5%** | 46.8% | (6.4%) |
| WEIGHTED AVERAGE DEBT MATURITY | *years* | **4.0** | 4.3 | (0.3) |
| WEIGHTED AVERAGE INTEREST RATE (ALL-IN COST OF DEBT) | *%* | **6.1%** | 6.7% | (0.6%) |
| DEBT HEDGED | *%* | **90%** | 93% | (3.0%) |
| WEIGHTED AVERAGE HEDGE MATURITY | *years* | **3.4** | 3.4 | - |
| ANNUAL INTEREST COVERAGE RATIO | *times* | **2.8** | 2.6 | 0.2 |

## CAPITAL MANAGEMENT INITIATIVES

The Equity Raising enabled Growthpoint to lower its gearing, via debt reduction, and enjoy a lower rate of interest due to the restructure of its interest rate swap book. Additionally, the DRP has been used to purchase property assets and lower gearing.

In regard to debt facilities, Growthpoint's concentration has been on lowering its cost of debt by negotiating lower lending margins with financiers and extending the maturity of debt facilities when opportune.

Following on from the re-pricing and extension of its Syndicated debt facility in June 2013, Growthpoint re-priced and extended the term of its existing $70 million debt facility with National Australia Bank in December 2013. The maturity date was extended by three years from 30 April 2016 to 30 April 2019.

The table at the bottom of the previous page details key metrics and changes during the half year.

Growthpoint's gearing was 40.5% at 31 December 2013 which is at the lower end of its target range of 40% to 45%.

## PROPERTY VALUATIONS

- As at 31 December 2013, Growthpoint held a total of 49 properties with a combined value of $1.8 billion[6].

Of the 49 properties Growthpoint owns:

- 27 properties were independently valued as at 31 December 2013; and
- 22 properties were subject to a Directors' valuation as at 31 December 2013.

A like for like increase in property values of 1.1% provided for an $18.0 million valuation increase across the portfolio, net of capital expenditure and capitalised acquisition costs.

The weighted average capitalisation rate for the Group by sector is:

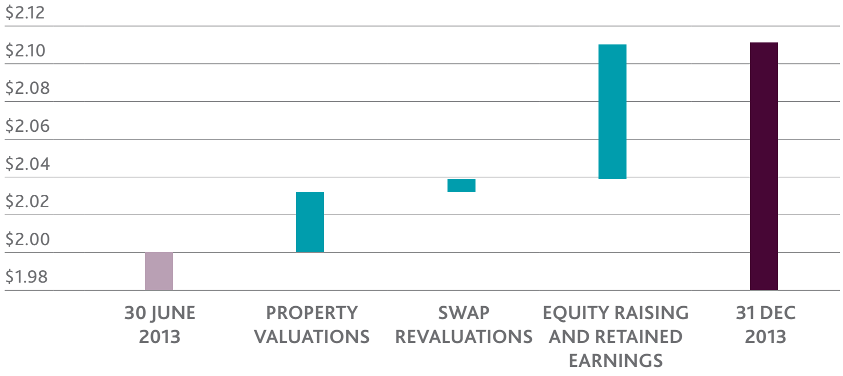
| | 31-DEC-13 | 30-JUN-13 |
|---|---|---|
| Industrial portfolio | 8.2% | 8.3% |
| Office portfolio | 8.2% | 8.4% |
| **Total portfolio** | **8.2%** | **8.4%** |

## NET PROPERTY INCOME

The property portfolio had like-for-like net property income growth of 2.5% for the 12 months ended 31 December 2013 and 1.4% for the 6 months ended 31 December 2013.

## MOVEMENTS IN NTA

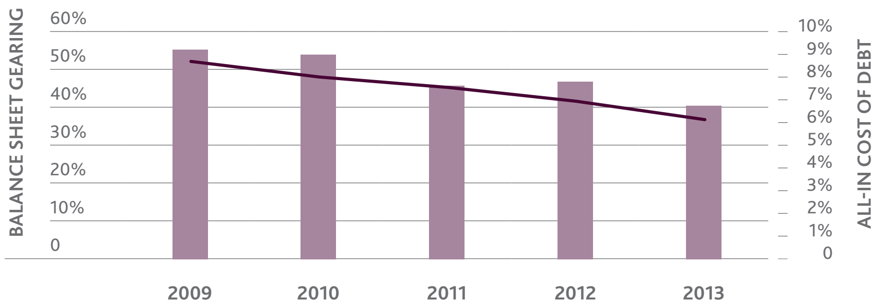
PER STAPLED SECURITY




| 30 JUNE 2013 | PROPERTY VALUATIONS | SWAP REVALUATIONS | EQUITY RAISING AND RETAINED EARNINGS | 31 DEC 2013 |
|---|---|---|---|---|
| $2.00 | +3.2¢ | +0.7¢ | +7.1¢ | $2.11 |

## REDUCTION IN GEARING AND COST OF DEBT

AS AT 31 DECEMBER




| | 2009 | 2010 | 2011 | 2012 | 2013 |
|---|---|---|---|---|---|
| *Balance sheet gearing* | 55.3% | 54.0% | 45.6% | 46.8% | 40.5% |
| *All-in cost of debt* | 8.71% | 8.02% | 7.55% | 6.95% | 6.15% |

## LOCATION OF GOZ SECURITYHOLDERS*

AS AT 31 DECEMBER 2013


* Figures are estimates only

6. Assuming completion of the properties at 19 & 20 Southern Court, Keysborough, valued at $18.8 million (completion expected in March 2014).

## DISTRIBUTABLE INCOME

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

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

The table below provides a reconciliation of distributable income from statutory profit.

## RECONCILIATION FROM STATUTORY PROFIT TO DISTRIBUTABLE INCOME

| | HY 2014 | HY 2013 | CHANGE | CHANGE |
|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *%* |
| PROFIT AFTER TAX | **63,492** | 33,967 | 29,525 | 86.9% |
| LESS NON-DISTRIBUTABLE ITEMS: | | | | |
| - Straight line adjustment to property revenue | **(2,856)** | (2,118) | (738) | |
| - Net changes in fair value of investment property | **(15,188)** | 2,123 | (17,311) | |
| - Profit on sale of investment property | **-** | (492) | 492 | |
| - Net unrealised change in the value of derivatives | **(19,107)** | 3,434 | (22,541) | |
| - Loss on settlement of derivatives | **15,750** | - | 15,750 | |
| - Deferred tax income | **(42)** | (94) | 52 | |
| DISTRIBUTABLE INCOME | **42,049** | 36,820 | 5,229 | 14.2% |

The payout ratio, calculated as distributions on ordinary stapled securities divided by distributable income, was 95.0% (previous corresponding period: 95.4%).

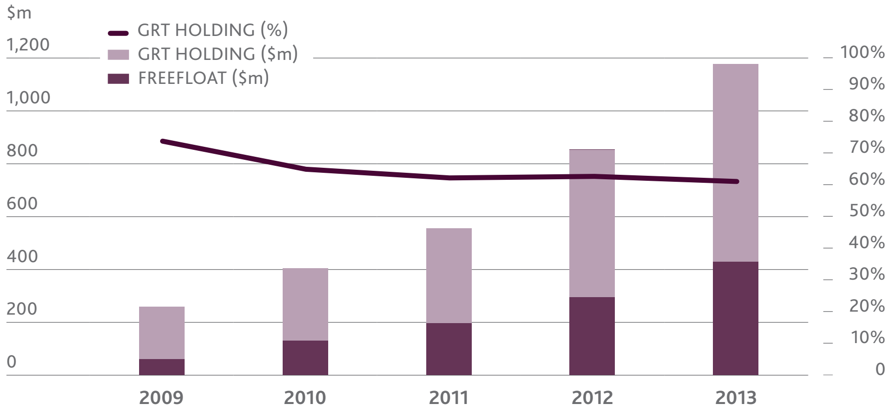
The table below summarises those components that make up distributable income earned.

## COMPONENTS OF DISTRIBUTABLE INCOME

| | HY 2014 | HY 2013 | CHANGE | CHANGE |
|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *%* |
| Property income | **83,764** | 73,037 | 10,727 | 14.7% |
| Property expenses | **(11,348)** | (9,611) | (1,737) | 18.1% |
| NET PROPERTY INCOME | **72,416** | 63,426 | 8,990 | 14.2% |
| Interest income | **457** | 4,921 | (4,464) | (90.7%) |
| TOTAL OPERATING INCOME | **72,873** | 68,347 | 4,526 | 6.6% |
| Borrowing costs | **(26,398)** | (28,104) | 1,706 | (6.1%) |
| Operating and trust expenses | **(4,276)** | (3,273) | (1,003) | 30.6% |
| TOTAL OPERATING AND TRUST EXPENSES | **(30,674)** | (31,377) | 703 | (2.2%) |
| Current tax expense | **(150)** | (150) | - | - |
| DISTRIBUTABLE INCOME | **42,049** | 36,820 | 5,229 | 14.2% |
| DISTRIBUTIONS PAID | **39,940** | 35,126 | 4,814 | 13.7% |
| Tax components | 73.6% tax deferred (forecast) | 73% tax deferred | | |
| | | 7% tax free | | |

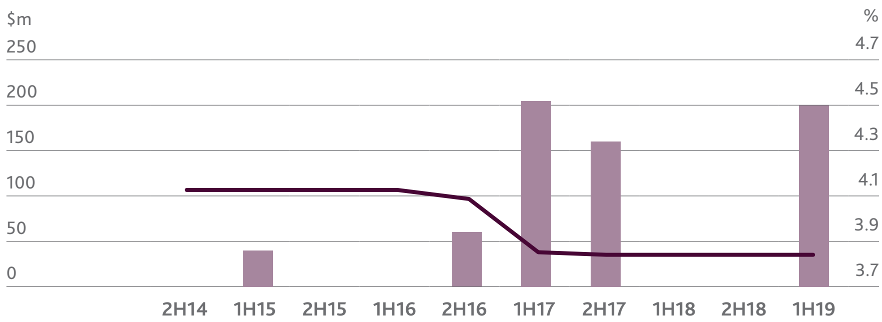
## MARKET CAPITALISATION AND FREE FLOAT

AS AT 31 DECEMBER 2013




## HEDGING MATURITY PROFILE

AS AT 31 DECEMBER 2013




| | 2H14 | 1H15 | 2H15 | 1H16 | 2H16 | 1H17 | 2H17 | 1H18 | 2H18 | 1H19 |
|---|---|---|---|---|---|---|---|---|---|---|
| *Nominal value of hedging expiring* | - | $40m | - | - | $60m | $205m | $160m | - | - | $200m |
| *Weighted average interest rate on hedged debt* | 4.13% | 4.13% | 4.13% | 4.13% | 4.09% | 3.85% | 3.84% | 3.84% | 3.84% | 3.84% |

# 7.7%

### FY2014 DISTRIBUTION YIELD

*Based on 31 December 2013 closing price*

# 17.5% p.a.

### TOTAL SECURITYHOLDER RETURN

*for five years to 31 December 2013*[7]

## PROPERTY MARKETS[8]

### INDUSTRIAL:

- Occupier demand remains patchy within the national industrial sector and Quarter 4, 2013 (Q4) preliminary data indicates only 300,000m² of gross take-up was recorded suggesting a steady tapering off of demand. Of this gross take-up, a little over 50% for Q4 resulted from pre-lease or design and construct deals.
- On the supply side, the past 6 months has seen an increase in completed stock from previous quarters' data although projects which started in Q4 were below trend.
- Net face rents for existing prime and secondary grade stock have generally remained stable nationally due to demand constraints. Additionally, competitive pre-lease and speculative development has inhibited net face rental growth and placed upward pressure on incentives.
- Investment sales activity was strong throughout 2013 with both local institutional investors and foreign investors competing for prime grade industrial stock. Several Australian institutional investors have raised further capital recently and acquisition mandates are anticipated to continue for the next 12 months. Of the stock that did transact, the bias remains towards prime grade assets with long term leases, strong covenants and modern improvements as the yield spread between prime and secondary grade industrial assets increases.
- Prime Industrial: It is apparent that demand for prime grade stock is exceeding the supply of prime grade assets with strong competition firming yields from previous years, where sales demonstrate a range in yields between 7.25% and 8.25%, with a property currently in due diligence rumoured to reflect a yield of sub 7.00%. Further tightening is forecast throughout 2014 with outstanding mandates in play.
- Secondary Industrial: There have been relatively few secondary grade industrial stock sales with the majority of demand being for prime grade assets. Many secondary grade industrial assets remain heavily discounted by buyers, exhibiting soft yields at 9.50% plus.

### OFFICE:

- Net absorption for 2013 has been the weakest on record at negative 238,800m² as businesses either vacating or downsizing have outstripped tenant expansion and corporate Australia remains in cost rationalisation mode. There was a further rise in sub-lease availability of approximately 55,300m² over the past year and nationally all vacancy rates within the CBD office markets are in excess of 10%.
- Net effective rents throughout the national office sector have generally remained flat or in some cases decreased as rising vacancy has continued to put upward pressure on leasing incentives.
- The office sector has experienced contrasting dynamics in the past 12 months displaying a weak occupier market against a strong prime grade investment market. Investor demand has remained robust with an increase in transaction volumes from last year as the A-REIT sector and offshore investors have been actively seeking prime grade office assets.
- Capital is available with the majority of demand being for prime quality assets providing long lease terms, modern improvements and fixed rent increases, and yields have firmed up to 25 basis points at the tighter end of the prime yield range. Sales have demonstrated that yields for prime A-grade CBD office assets now range from 6.50% to 7.50%.

7. Source: UBS Investment Research.
8. Source: GOZ and Jones Lang LaSalle, Preliminary Market Overview Q4/2013, January 2014

## OUTLOOK

Growthpoint is well positioned in the market for future growth. The property portfolio is modern, well leased to quality tenants with a WALE of 6.6 years and a rising rental income through fixed annual rental increases. Property occupancy is 98%. The balance sheet is well capitalised, and Growthpoint has had significant success in accessing both equity and debt capital. The Board and management are confident of the Group's investment strategy and there has been good investor support for this during the recent Equity Raising.

Office market leasing conditions are likely to remain difficult in 2014. Despite this, and moderate occupier demand for industrial space being experienced, competition for well-leased office and industrial properties is expected to continue as the demand for investment outweighs the supply of property coming to market for sale.

The focus for Growthpoint in the short to medium-term remains:

- Continuing to provide growing distributions to securityholders
- Continued growth and diversification of the property portfolio via M&A transactions, direct property acquisitions and developments
- Maintenance of a gearing ratio of 40% to 45% and further diversification of debt funding sources to the capital markets
- Tenant retention strategies and the leasing of current vacant space
- Evaluation of tenant requested expansions and redevelopment opportunities within the portfolio
- Continuing to expand and diversify the securityholder base and trading liquidity to achieve S&P/ASX index inclusion

## 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 41.

## 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.

# PORTFOLIO OVERVIEW

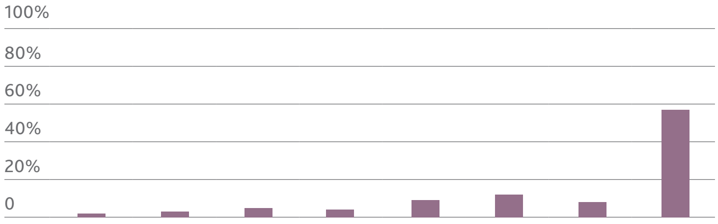
## AS AT 31 DECEMBER 2013[1]

| | INDUSTRIAL | OFFICE | Total |
|---|---|---|---|
| NO. OF PROPERTIES | 34 | 15 | **49** |
| TOTAL / AVERAGE VALUE | \$1,001.4m / \$29.5m | \$799.4m / \$53.3m | **\$1,800.8m / \$36.8m** |
| % OF PORTFOLIO VALUE | 56% | 44% | **100%** |
| TOTAL / AVERAGE LETTABLE AREA | 848,638 m² / 24,960 m² | 147,326 m² / 9,822 m² | **995,964 m² / 20,326 m²** |
| AVERAGE PROPERTY AGE | 8.4 years | 5.2 years | **7.0 years** |
| AVERAGE VALUATION CAP RATE | 8.2% | 8.2% | **8.2%** |
| OVER (UNDER) RENTING | 0.3% | 1.3% | **0.8%** |
| WALE | 7.4 years | 5.6 years | **6.6 years** |
| WARR[2] | 2.8% | 3.5% | **3.1%** |
| AVERAGE VALUE (PER m²) | \$1,180 | \$5,426 | **\$1,808** |
| AVERAGE RENT (PER m²) | \$98 | \$506 | **\$158** |

1. Assumes completion of the properties at 19 & 20 Southern Court, Keysborough, valued at \$18.8 million (expected in March 2014). Figures therefore differ from accounts.
2. Assumes CPI of 2.5%.

### PORTFOLIO RENT EXPIRING

PER FINANCIAL YEAR




| VACANT | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20+ |
|---|---|---|---|---|---|---|---|
| **2%** | **3%** | **5%** | **4%** | **9%** | **12%** | **8%** | **57%** |

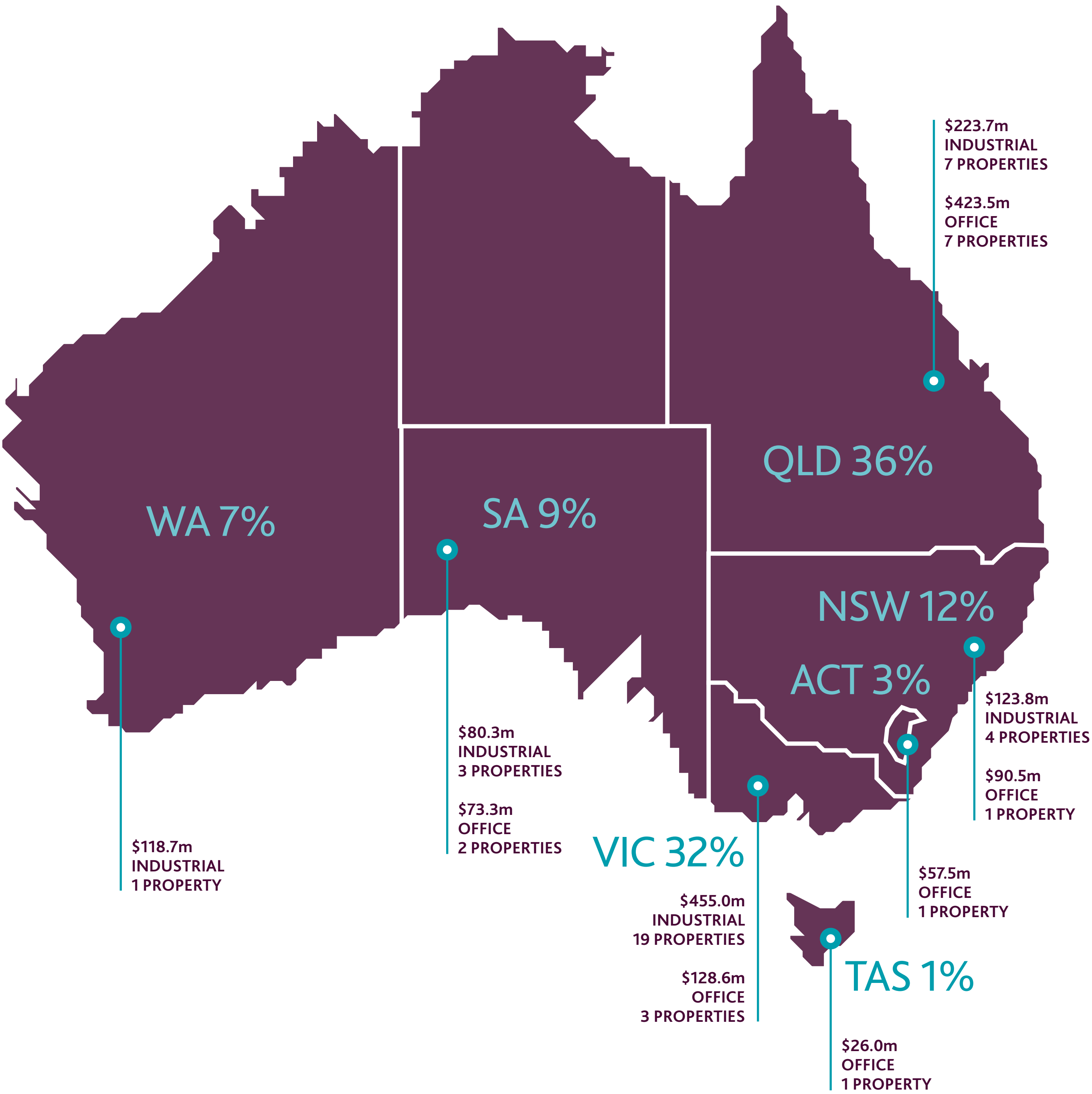
### SECTOR DIVERSITY


### TOP TEN TENANTS

BY PASSING RENT

| MAJOR TENANT | % | *WALE* |
|---|---|---|
| WOOLWORTHS | 27% | 8.7yrs |
| GE CAPITAL FINANCE AUSTRALASIA | 7% | 4.2yrs |
| LINFOX | 5% | 9.4yrs |
| COMMONWEALTH OF AUSTRALIA | 4% | 3.2yrs |
| SINCLAIR KNIGHT MERZ | 4% | 4.8yrs |
| ENERGEX | 3% | 13.9yrs |
| FOX SPORTS | 3% | 9.0yrs |
| STAR TRACK EXPRESS | 2% | 5.5yrs |
| RUNGE PINCOCK MINARCO | 2% | 1.5yrs |
| MACMAHON CORPORATION | 2% | 0.5yrs |
| **TOTAL** | **59%** | **7.2yrs** |

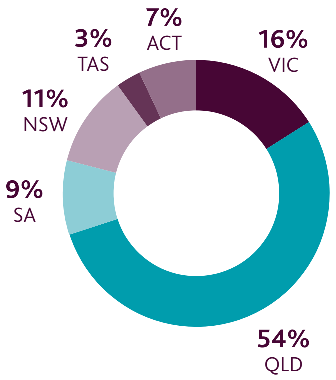
**VALUES PER SECTOR PER STATE**[1]




1. Assumes completion of the properties at 19 & 20 Southern Court, Keysborough, valued at $18.8 million (expected in March 2014). Figures therefore differ from accounts. Figures may not sum due to rounding.

# OFFICE PORTFOLIO
## REVIEW

### GEOGRAPHIC DIVERSITY
BY MARKET VALUE AS AT 31 DEC 2013




**15**
ASSETS
*31 Dec 2012: 15*

**58**
TENANTS
*31 Dec 2012: 62*

Management's primary focus over the reporting period has been leasing. Pleasingly, Growthpoint was able to continue its successful leasing of FY13, agreeing terms on three leases over a thousand square metres as well as a number of smaller leases, including blending and extending some of the potential leasing expiries of FY15 and FY16.

Growthpoint's office portfolio had a weighted average lease expiry of 5.6 years as at 31 December 2013. The average building age was 5.2 years at 31 December 2013.

### LEASES OVER 1,000 SQUARE METRES

#### QUEENSLAND LOCAL GOVERNMENT SUPERANNUATION BOARD – LEVELS 20 & 21, 333 ANN STREET, BRISBANE:

This is an existing tenant on level 17 with a previous potential expiry in June 2015. Growthpoint agreed terms for a new 10-year lease and to expand the tenant's occupancy from a single level to two levels (20 and 21). The tenant will be leasing 1,734m², ten car spaces within the building and has a license over the currently unutilised rooftop signage rights of the building for 10 years. Growthpoint's management spend considerable time with the portfolio tenants, looking to assist them with their occupational needs and to ensure that where possible the tenants remain within Growthpoint's properties.

#### QUANTA SERVICES AUSTRALIA – LEVEL 2, CB1 BUILDING, 22 CORDELIA STREET, SOUTH BRISBANE:

Growthpoint finalised terms for a new ten-year lease with the Australian arm of Quanta Services (Quanta), a New York Stock Exchange listed business with a market capitalisation of US$6.8 billion. Quanta specialises in providing comprehensive services for the infrastructure of the electric power, oil and natural gas industries. From 1 January 2014, Quanta leases 1,379m² and 18 car spaces. Growthpoint managed to increase the rent by around 15% from what the previous tenant was paying for this premises, demonstrating the successful execution of one of Growthpoint's strategies when acquiring the asset in early 2012.

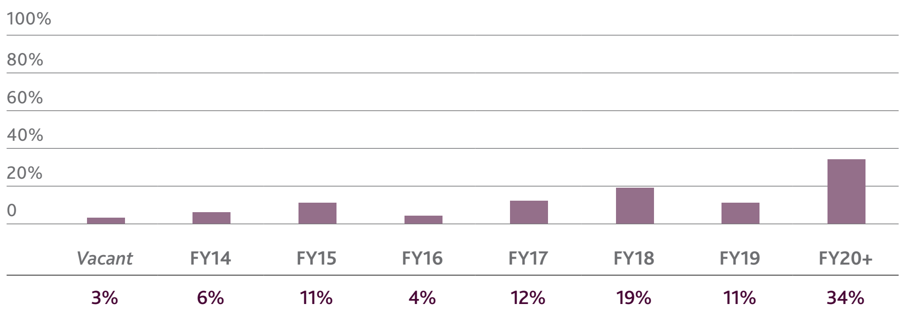
#### THE MEDIA STORE (TMS) – PART LEVEL 5, 219-247 PACIFIC HIGHWAY, ARTARMON:

TMS have leased 1,100m² and 15 car spaces for seven years on the top level of the recently completed "Fox Sports Building". The quality of the premises and the proximity to key tenants such as Fox Sports were a major attraction to the incoming tenant.

### OUTLOOK

During the remainder of FY14 management will remain focused on preventing potential vacancies within the portfolio by working with the portfolio's tenants to renew leases in advance of their potential expiries.

### OFFICE PORTFOLIO LEASE EXPIRY PROFILE
PER FINANCIAL YEAR



# OFFICE PORTFOLIO

## KEY STATISTICS

AS AT 31 DECEMBER 2013

**$799.4m**

**TOTAL VALUE**

*31 December 2012: $795.2m*

**8.2%**

**AVERAGE CAP RATE**

*31 December 2012: 8.4%*

**44%**

**OF GROWTHPOINT PORTFOLIO**

*31 December 2012: 48%*

**97%**

**OCCUPANCY**

*31 December 2012: 97%*

**5.6yrs**

**WEIGHTED AVERAGE LEASE EXPIRY ("WALE")**

*31 December 2012: 5.7 years*

# OFFICE PORTFOLIO

## PROPERTY PROFILES AS AT 31 DEC 2013

**$799.4m**

TOTAL VALUE
AS AT 31 DECEMBER 2013

*Previous corresponding period: $795.2m*

WWW for more information on each property please go to *www.growthpoint.com.au/property-portfolio/overview/*

## VIC

GE BUILDING 2, 572-576 SWAN ST, RICHMOND

| BOOK VALUE | WALE |
|---|---|
| $76.4m | 4.2yrs |

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

| BOOK VALUE | WALE |
|---|---|
| $51.1m | 4.2yrs |

CAR PARK, 572-576 SWAN ST, RICHMOND

| BOOK VALUE | WALE |
|---|---|
| $1.1m | 4.2yrs |

## QLD

333 ANN ST, BRISBANE

| BOOK VALUE | WALE |
|---|---|
| $102.5m | 3.3yrs |

CB1, 22 CORDELIA ST, SOUTH BRISBANE

| BOOK VALUE | WALE |
|---|---|
| $63.0m | 3.4yrs |

A4, 52 MERIVALE ST, SOUTH BRISBANE

| BOOK VALUE | WALE |
|---|---|
| $60.5m | 2.2yrs |

A1, 32 CORDELIA ST, SOUTH BRISBANE

| BOOK VALUE | WALE |
|---|---|
| $64.0m | 4.6yrs |

CB2, 42 MERIVALE ST, SOUTH BRISBANE

| BOOK VALUE | WALE |
|---|---|
| $37.1m | 9.5yrs |

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

| BOOK VALUE | WALE |
|---|---|
| $10.4m | 0.9yrs |

ENERGEX BUILDING, 1231-1241 SANDGATE RD, NUNDAH

| BOOK VALUE | WALE |
|---|---|
| $86.0m | 12.7yrs |

## SA

WORLDPARK:01, 33-39 RICHMOND RD, KESWICK

| BOOK VALUE | WALE |
|---|---|
| $55.5m | 9.5yrs |

7 LAFFER DRIVE, BEDFORD PARK

| BOOK VALUE | WALE |
|---|---|
| $17.8m | 4.6yrs |

## NSW

BLDG C, GORE HILL TECH PARK, 219-247 PACIFIC HWY, ARTARMON

| BOOK VALUE | WALE |
|---|---|
| $90.5m | 7.0yrs |

## ACT

10-12 MORT ST, CANBERRA

| BOOK VALUE | WALE |
|---|---|
| $57.5m | 3.2yrs |

## TAS

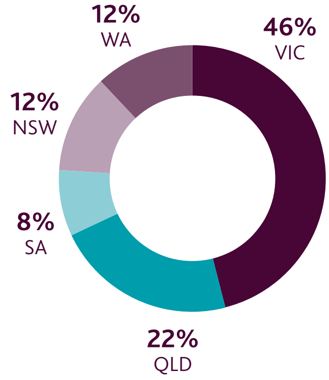
89 CAMBRIDGE PARK DR, CAMBRIDGE

| BOOK VALUE | WALE |
|---|---|
| $26.0m | 10.3yrs |


coles
BUILDING
2

# INDUSTRIAL PORTFOLIO
## REVIEW

### GEOGRAPHIC DIVERSITY
BY MARKET VALUE AS AT 31 DEC 2013




**34**
**ASSETS**
*31 Dec 2012: 29*

**32**
**TENANTS**
*31 Dec 2012: 25*

### LEASING

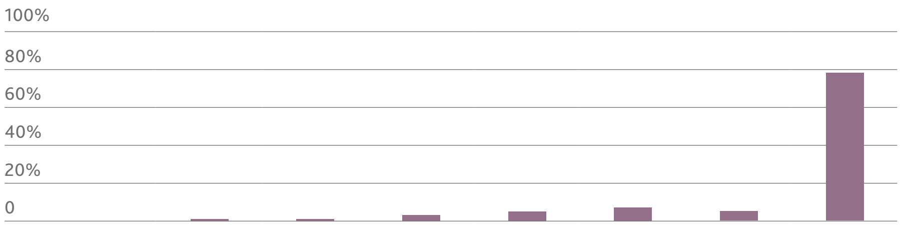
Growthpoint's industrial portfolio remained 100% leased as at 31 December 2013 after Paper Australia executed a six-year lease of Lots 2-4, 44-54 Raglan Street, Preston, Victoria, pursuant to an exercise of option. The property comprises four buildings totalling 26,980m² and is now leased until 31 August 2019.

### ACQUISITIONS

Growthpoint also expanded its industrial portfolio through the following acquisitions settled or announced during the half year:

1. In December 2013, Growthpoint completed the acquisition of **213-215 Robinsons Road, Ravenhall** in Melbourne's western growth corridor. The property comprises open plan office accommodation, warehouse and production facilities extending to 21,092m². The property is fully leased to Fuji Xerox, one of Australia's leading printing and document management companies, for 15 years from July 2010.
2. Also in Melbourne's prime western industrial and distribution corridor, **9-11 Drake Boulevard, Altona** reached practical completion in early December. Warehouse B of 5,481m² was leased to Atlas Speciality Metals and Warehouse C of 6,637m² has been leased to Prolife Foods. Both tenants have entered into five-year lease terms at a net rent of $80 per square metre. Australand Group has provided a five-year rental guarantee for the remaining vacant area, Warehouse A of 13,625m², until a tenant is secured.
3. Australand Group completed the construction of **120-132 Atlantic Drive, Keysborough** just before Christmas triggering settlement of the purchase of this property by Growthpoint. The property has a lettable area of 12,864m² and is fully leased to Symbion (a subsidiary of NZSE listed EBOS Group) for 15 years from 21 December 2012. The annual rent of $1,307,307 includes rentalised land of 3,000m² earmarked for future expansion.
4. At nearby **Southern Court**, also in The Key Industrial estate in Keysborough, Australand Group are constructing two industrial/warehouse properties on separate land purchased by Growthpoint during the half year. On completion of construction, anticipated in March 2014, 19 Southern Court will provide approximately 6,434m² of lettable area and will be leased to Transport Management Solutions for a five-year term. 20 Southern Court is expected to extend to approximately 11,400m² with the property having a five-year rent and outgoings guarantee from Australand Group until a tenant is secured.

### INDUSTRIAL PORTFOLIO LEASE EXPIRY PROFILE
PER FINANCIAL YEAR




| *Vacant* | FY14 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20+ |
|---|---|---|---|---|---|---|---|
| **0%** | **1%** | **1%** | **3%** | **5%** | **7%** | **5%** | **78%** |

# INDUSTRIAL PORTFOLIO

## KEY STATISTICS

AS AT 31 DECEMBER 2013

**$1,001.4m**

TOTAL VALUE

*31 December 2012: $875.0m*

**8.2%**

AVERAGE CAP RATE

*31 December 2012: 8.3%*

**56%**

OF GROWTHPOINT PORTFOLIO

*31 December 2012: 52%*

**100%**

OCCUPANCY

*31 December 2012: 100%*

**7.5yrs**

WEIGHTED AVERAGE LEASE EXPIRY ("WALE")

*31 December 2012: 8.3 years*

# INDUSTRIAL PORTFOLIO

## PROPERTY PROFILES AS AT 31 DEC 2013

**$1,001.4m**

TOTAL VALUE AS AT 31 DECEMBER 2013

*Previous corresponding period: $875.0m*

WWW for more information on each property please go to *www.growthpoint.com.au/property-portfolio/overview/*

### VIC

28 BILSTON DR, WODONGA

BOOK VALUE **$74.2m** WALE **7.6yrs**

120 NORTHCORP BLVD, BROADMEADOWS

BOOK VALUE **$67.0m** WALE **7.6yrs**

522-550 WELLINGTON RD, MULGRAVE

BOOK VALUE **$52.7m** WALE **7.6yrs**


38-40 ANNANDALE RD, MELBOURNE AIRPORT

BOOK VALUE **$37.7m** WALE **5.5yrs**

130 SHARPS RD, MELBOURNE AIRPORT

BOOK VALUE **$23.2m** WALE **8.5yrs**

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

BOOK VALUE **$19.7m** WALE **5.7yrs**

42-44 GARDEN ST, KILSYTH

BOOK VALUE **18.6m** WALE **3.7yrs**


120 LINK RD, MELBOURNE AIRPORT

BOOK VALUE **$17.4m** WALE **3.1yrs**

365 FITZGERALD RD, DERRIMUT

BOOK VALUE **$15.8m** WALE **6.2yrs**

60 ANNANDALE RD, MELBOURNE AIRPORT

BOOK VALUE **$13.0m** WALE **4.3yrs**

45-55 SOUTH CENTRE RD, MELBOURNE AIRPORT

BOOK VALUE **$8.9m** WALE **3.2yrs**

31 GARDEN ST, KILSYTH

BOOK VALUE **$8.5m** WALE **4.9yrs**

306-318 ABBOTTS RD, DANDENONG SOUTH

BOOK VALUE **$8.0m** WALE **0.0yrs**

75 ANNANDALE RD, MELBOURNE AIRPORT

BOOK VALUE **$6.9m** WALE **2.8yrs**

### QLD

70 DISTRIBUTION ST, LARAPINTA

BOOK VALUE **$170.7m** WALE **8.2yrs**

## QLD

**13 BUSINESS ST, YATALA**

BOOK VALUE **$14.3m** WALE **5.7yrs**

**5 VIOLA PL, BRISBANE AIRPORT**

BOOK VALUE **$11.7m** WALE **2.0yrs**

**29 BUSINESS ST, YATALA**

BOOK VALUE **$11.7m** WALE **3.3yrs**

**670 MACARTHUR AVE, PINKENBA**

BOOK VALUE **$8.5m** WALE **1.6yrs**

**10 GASSMAN ST, YATALA**

BOOK VALUE **$4.8m** WALE **3.8yrs**

**3 VIOLA PL, BRISBANE AIRPORT**

BOOK VALUE **$2.2m** WALE **9.2yrs**

## NSW

**27-49 LENORE DR, ERSKINE PARK**

BOOK VALUE **$47.7m** WALE **9.7yrs**

**6-7 JOHN MORPHETT PL, ERSKINE PARK**

BOOK VALUE **$38.3m** WALE **6.1yrs**

**51-65 LENORE DR, ERSKINE PARK**

BOOK VALUE **$24.0m** WALE **14.2yrs**

**81 DERBY ST, SILVERWATER**

BOOK VALUE **$13.8m** WALE **3.7yrs**

## WA


**2 HORRIE MILLER DR, PERTH AIRPORT**

BOOK VALUE **$118.7m** WALE **11.8yrs**

## SA


**599 MAIN NORTH RD, GEPPS CROSS**

BOOK VALUE **$61.7m** WALE **7.6yrs**

**12-16 BUTLER BLVD, ADELAIDE AIRPORT**

BOOK VALUE **$11.0m** WALE **1.9yrs**

**10 BUTLER BLVD, ADELAIDE AIRPORT**

BOOK VALUE **$7.6m** WALE **4.1yrs**

## NEW ACQUISITIONS FOR HALF YEAR

**9-11 DRAKE BLVD, ALTONA**

BOOK VALUE **$24.2m** WALE **4.9yrs**

**213-215 ROBINSONS RD, RAVENHALL**

BOOK VALUE **$23.2m** WALE **11.5yrs**

**19&20 SOUTHERN CRT, KEYSBOROUGH*#**

BOOK VALUE **$18.8m** WALE **5.0yrs**


**120-132 ATLANTIC DR, KEYSBOROUGH**

BOOK VALUE **$17.4m** WALE **15.0yrs**

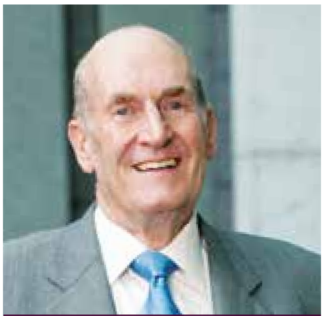
* Under development. Figures quoted use "on complete" valuation.

# Comprises two properties which will be separately valued upon completion

# BOARD & MANAGEMENT

## THE BOARD OF DIRECTORS

The following persons were directors of Growthpoint Properties Australia Limited for the entire reporting period unless otherwise indicated.



**LYN SHADDOCK**
*Independent Chairman & Director*

**TIMOTHY COLLYER**
*Managing Director*

**MAXINE BRENNER**
*Independent Director*

**ESTIENNE DE KLERK**
*Director**

**GRANT JACKSON**
*Independent Director*

**FRANCOIS MARAIS**
*Independent Director*

**NORBERT SASSE**
*Director^*

**GEOFFREY TOMLINSON**
*Independent Director*
*from 1 September 2013*

^ Not deemed independent as CEO of Growthpoint Properties Limited. * Not deemed independent as Executive Director of Growthpoint Properties Limited.

## EXECUTIVE MANAGEMENT

**AARON HOCKLY**
*Company Secretary & General Counsel*

**DION ANDREWS**
*Chief Financial Officer*

**MICHAEL GREEN**
*Portfolio Manager*

WWW

To see the full bios of our board and executive management team please go to ***growthpoint.com.au/about-growthpoint/board/***

INTERIM
# FINANCIAL REPORT

## FOR THE SIX MONTHS ENDED 31 DECEMBER 2013



*This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Growthpoint Properties Australia during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 | Notes | **Six months ended 31 Dec 2013** | Six months ended 31 Dec 2012 |
|---|---|---|---|
| | | *$'000* | *$'000* |
| **Revenue** | | | |
| Property revenue | | **83,764** | 73,037 |
| Straight line adjustment to property revenue | | **2,856** | 2,118 |
| Net changes in fair value of investment properties | | **15,188** | (2,123) |
| Profit on sale of investment properties | | **-** | 492 |
| Net change in fair value of derivatives | | **19,107** | (3,434) |
| Loss on settlement of derivative | | **(15,750)** | - |
| **Net investment income** | | **105,165** | 70,090 |
| **Expenses** | | | |
| Property expenses | | **(11,348)** | (9,611) |
| Other expenses from ordinary activities | | **(4,276)** | (3,273) |
| **Total expenses** | | **(15,624)** | (12,884) |
| **Profit from operating activities** | | **89,541** | 57,206 |
| Interest income | | **457** | 4,921 |
| Borrowing costs | | **(26,398)** | (28,104) |
| **Net finance costs** | | **(25,941)** | (23,183) |
| **Profit before income tax** | | **63,600** | 34,023 |
| Income tax benefit / (expense) | | **(108)** | (56) |
| **Profit for the period** | | **63,492** | 33,967 |
| **Profit attributable to:** | | | |
| Owners of the Trust | | **63,516** | 33,959 |
| Owners of the Company | | **(24)** | 8 |
| | | **63,492** | 33,967 |
| Distribution to securityholders | 5 | **(39,940)** | (35,126) |
| **Change in net assets attributable to securityholders / Total Comprehensive Income** | | **23,552** | (1,159) |
| **Basic and diluted earnings per stapled security (cents)** | | **15.0** | 8.7 |

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF
# FINANCIAL POSITION

| AS AT 31 DECEMBER 2013 | Notes | 31 December 2013 | 30 June 2013 |
|---|---|---|---|
| | | *$'000* | *$'000* |
| **Current assets** | | | |
| Cash and cash equivalents | | **9,412** | 9,405 |
| Trade and other receivables | 6 | **6,967** | 2,432 |
| **Total current assets** | | **16,379** | 11,837 |
| **Non-current assets** | | | |
| Trade and other receivables | 7 | **53,941** | 51,084 |
| Plant & equipment | | **502** | 521 |
| Investment properties | 7 | **1,737,917** | 1,595,831 |
| Other receivables | 8 | **-** | 20,951 |
| Deferred tax assets | | **243** | 174 |
| **Total non-current assets** | | **1,792,603** | 1,668,561 |
| **Total assets** | | **1,808,982** | 1,680,398 |
| **Current liabilities** | | | |
| Trade and other payables | 10 | **18,714** | 17,535 |
| Provision for distribution payable | 5 | **39,940** | 37,463 |
| Current tax payable | | **177** | 27 |
| Derivative financial instruments | 12 | **486** | - |
| **Total current liabilities** | | **59,317** | 55,025 |
| **Non-current liabilities** | | | |
| Interest bearing liabilities | 11 | **731,856** | 786,893 |
| Derivative financial instruments | 12 | **14,749** | 34,341 |
| **Total non-current liabilities** | | **746,605** | 821,234 |
| **Total liabilities** | | **805,922** | 876,259 |
| **Net assets** | | **1,003,060** | 804,139 |
| **Securityholders' funds** | | | |
| Contributed equity | 13 | **1,148,580** | 973,911 |
| Reserves | | **2,147** | 1,447 |
| Accumulated losses | | **(147,667)** | (171,219) |
| **Total securityholders' funds** | | **1,003,060** | 804,139 |

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF
# CHANGES IN EQUITY

| FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 | *Contributed equity* | *Share-based payments reserve* | *Deferred tax expenses charged to equity* | *Profits reserve* | *Accumulated losses* | **Total** |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| **Balance at 30 June 2013** | 973,911 | 1,026 | 414 | 7 | (171,219) | **804,139** |
| **Total comprehensive income for the year** | | | | | | |
| Profit after tax for the year | - | - | - | - | 63,492 | **63,492** |
| Total other comprehensive income | - | - | - | - | - | **-** |
| **Total comprehensive income for the year** | - | - | - | - | 63,492 | **63,492** |
| **Transactions with security holders in their capacity as security holders:** | | | | | | |
| Contributions of equity, net of transaction costs | 174,669 | - | - | - | - | **174,669** |
| Distributions provided or paid | - | - | - | - | (39,940) | **(39,940)** |
| Share-based payment transactions | - | 672 | - | - | - | **672** |
| Deferred tax expense charged to equity | - | - | 28 | - | - | **28** |
| **Total transactions with securityholders** | 174,669 | 672 | 28 | - | (39,940) | **135,429** |
| **Balance at 31 December 2013** | 1,148,580 | 1,698 | 442 | 7 | (147,667) | **1,003,060** |
| Total recognised income and expense for the year is attributable to: | | | | | | |
| - Trust | | | | | | **63,516** |
| - Company | | | | | | **(24)** |
| **Growthpoint Properties Australia** | | | | | | **63,492** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
## CONTINUED

| FOR THE SIX MONTHS ENDED 31 DECEMBER 2012 | *Contributed equity* | *Share-based payments reserve* | *Deferred tax expenses charged to equity* | *Profits reserve* | *Accumulated losses* | **Total** |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* |
| Balance at 30 June 2012 | 925,101 | 306 | 413 | - | (192,578) | **733,242** |
| **Total comprehensive income for the year** | | | | | | |
| Profit after tax for the year | - | - | - | - | 33,967 | **33,967** |
| Total other comprehensive income | - | - | - | - | - | **-** |
| **Total comprehensive income for the year** | - | - | - | - | 33,967 | **33,967** |
| **Transactions with security holders in their capacity as security holders:** | | | | | | |
| Contributions of equity, net of transaction costs | - | - | - | - | - | **-** |
| Distributions provided or paid | - | - | - | - | (35,126) | **(35,126)** |
| Share-based payment transactions | 21,487 | 428 | - | - | - | **21,915** |
| Deferred tax expense charged to equity | - | - | - | - | - | **-** |
| **Total transactions with securityholders** | 21,487 | 428 | - | - | (35,126) | **(13,211)** |
| **Balance at 31 December 2012** | 946,588 | 734 | 413 | - | (193,737) | **753,998** |
| Total recognised income and expense for the year is attributable to: | | | | | | |
| - Trust | | | | | | **33,959** |
| - Company | | | | | | **8** |
| **Growthpoint Properties Australia** | | | | | | **33,967** |

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

# CONSOLIDATED
# CASH FLOW STATEMENT

| FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 | **Six months ended 31 Dec 2013** | Six months ended 31 Dec 2012 |
|---|---|---|
| | *$'000* | *$'000* |
| **Cash flows from operating activities** | | |
| Cash receipts from customers | **83,897** | 71,968 |
| Cash payments to suppliers | **(18,374)** | (11,016) |
| Cash generated from operating activities | **65,523** | 60,952 |
| Interest paid | **(25,862)** | (27,655) |
| Taxes paid | **-** | (16) |
| **Net cash inflow from operating activities** | **39,661** | 33,281 |
| **Cash flows from investing activities** | | |
| Interest received | **457** | 4,921 |
| Payments for investment properties | **(105,940)** | (59,390) |
| Payments for plant & equipment | **(53)** | (13) |
| Payments for other receivables | **-** | (62,588) |
| **Net cash outflow from investing activities** | **(105,536)** | (117,070) |
| **Cash flows from financing activities** | | |
| Proceeds from external borrowings | **102,427** | 112,237 |
| Repayment of external borrowings | **(158,000)** | (39,168) |
| Proceeds from equity raising | **176,822** | 21,554 |
| Equity raising costs | **(2,154)** | (67) |
| Payment for settlement of derivatives | **(15,750)** | - |
| Distributions paid to security holders | **(37,463)** | (32,635) |
| **Net cash inflow from financing activities** | **65,882** | 61,921 |
| Net increase / (decrease) in cash and cash equivalents | **7** | (21,868) |
| Cash and cash equivalents at the beginning of the period | **9,405** | 35,289 |
| **Cash and cash equivalents at the end of the period** | **9,412** | 13,421 |

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 two entities comprising 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 of the Company and the unitholders of the Trust are identical. The Company, both in its personal capacity and in its capacity as the Responsible Entity of the Trust, must at all times act in the best interests of the Group. The Group is a for profit entity.

The consolidated interim financial report includes financial statements for Growthpoint Properties Australia, the stapled consolidated group, which is domiciled in Australia, as at and for the six months ended 31 December 2013.

## NOTE 2: BASIS OF PREPARATION

This consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*, and with IAS 34 *Interim Financial Reporting*.

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report for the year ended 30 June 2013 and any public announcements made by Growthpoint Properties Australia during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report was authorised for issue by the Directors of the Group on 17 February 2014.

The Group is of a kind referred to in class order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off, in accordance with that class order, to the nearest thousand dollars, unless otherwise stated.

## NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this interim financial report are consistent with those of the previous financial year ended 30 June 2013 and the corresponding interim reporting period

## NOTE 4: SEGMENT INFORMATION

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

| | Office | Industrial | **Total** |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| **Statement of profit or loss and other comprehensive income for the half year to 31 December 2013** | | | |
| Revenue, excluding straight line lease adjustment | 37,336 | 46,428 | **83,764** |
| Property expenses | (5,434) | (5,914) | **(11,348)** |
| **Segment results** | 31,902 | 40,514 | **72,416** |
| Income not assigned to segments | | | **18,501** |
| Expenses not assigned to segments | | | **(27,317)** |
| **Profit before income tax** | | | **63,600** |

## NOTE 4: SEGMENT INFORMATION *(cont.)*

| | Office | Industrial | Total |
|---|---|---|---|
| | *$'000* | *$'000* | *$'000* |
| **Statement of profit or loss and other comprehensive income for the half year to 31 December 2012** | | | |
| Revenue, excluding straight line lease adjustment | 34,561 | 38,476 | **73,037** |
| Property expenses | (5,988) | (3,623) | **(9,611)** |
| **Segment results** | 28,573 | 34,853 | **63,426** |
| Income not assigned to segments | | | **2,798** |
| Expenses not assigned to segments | | | **(32,201)** |
| **Profit before income tax** | | | **34,023** |

Property values are also reported by segment and this information is reported in note 7.

## NOTE 5: DISTRIBUTIONS

| PERIOD FOR DISTRIBUTION | Total distribution | Total stapled securities | Distributions per stapled security |
|---|---|---|---|
| | *$'000* | *('000)* | *(cents)* |
| Half year to 31 December 2013 GOZ | **38,960** | 414,467 | 9.40 |
| Half year to 31 December 2013 GOZNA | **531** | 20,408 | 2.60 |
| Half year to 31 December 2013 GOZN | **449** | 40,830 | 1.10 |
| | **39,940** | | |

| PERIOD FOR DISTRIBUTION | Total distribution | Total stapled securities | Distributions per stapled security |
|---|---|---|---|
| | *$'000* | *('000)* | *(cents)* |
| Half year to 31 December 2012 GOZ | **35,126** | 390,293 | 9.00 |

The distributions of 9.40 cents per GOZ stapled security, 2.60 cents per GOZNA stapled security and 1.10 cent per GOZN stapled security (2012: 9.00 cents per GOZ stapled security) are estimated to be 73.6% tax deferred (confirmation will be provided in annual tax statements to be issued in August or September 2014).

## NOTE 6: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

| | 31 December 2013 | 30 June 2013 |
|---|---|---|
| | *$'000* | *$'000* |
| Rent receivables | **4,565** | 1,077 |
| Prepayments | **2,402** | 1,355 |
| | **6,967** | 2,432 |

## NOTE 7: INVESTMENT PROPERTIES

| INDUSTRIAL PROPERTIES | | | Latest External Valuation Date | Latest External Valuation Valuation | Consolidated Book Value 31-Dec-13 | Consolidated Book Value 30-Jun-13 |
|---|---|---|---|---|---|---|
| | | | | $'000 | $'000 | $'000 |
| **Victoria** | | | | | | |
| 28 Bilston Drive | Wodonga | VIC | 30-Jun-13 | 72,500 | **74,200** | 72,500 |
| 120 Northcorp Boulevard | Broadmeadows | VIC | 30-Jun-13 | 66,200 | **67,000** | 66,200 |
| 522-550 Wellington Road | Mulgrave | VIC | 31-Dec-13 | 52,700 | **52,700** | 51,250 |
| 40 Annandale Road | Melbourne Airport | VIC | 30-Jun-13 | 36,800 | **37,700** | 36,800 |
| 9-11 Drake Boulevard (i) | Altona | VIC | 31-Dec-13 | 24,150 | **24,150** | - |
| 213-215 Robinsons Road (i) | Ravenhall | VIC | 30-Sep-13 | 23,200 | **23,200** | - |
| 130 Sharps Road | Melbourne Airport | VIC | 31-Dec-13 | 23,200 | **23,200** | 23,000 |
| 44-54 Raglan St | Preston | VIC | 31-Dec-13 | 19,700 | **19,700** | 18,500 |
| 19 Southern Court Road (ii) | Keysborough | VIC | 31-May-13 | 7,030 | **3,631** | - |
| 20 Southern Court Road (ii) | Keysborough | VIC | 31-May-13 | 11,770 | **6,182** | - |
| 42-44 Garden Street | Kilsyth | VIC | 31-Dec-13 | 18,600 | **18,600** | 18,000 |
| 120 Link Road | Melbourne Airport | VIC | 31-Dec-13 | 17,350 | **17,350** | 17,150 |
| 120-132 Atlantic Drive (i) | Keysborough | VIC | 31-Dec-13 | 17,400 | **17,400** | - |
| 365 Fitzgerald Road | Derrimut | VIC | 30-Jun-13 | 15,600 | **15,750** | 15,600 |
| 60 Annandale Road | Melbourne Airport | VIC | 30-Jun-13 | 13,000 | **13,000** | 13,000 |
| 45-55 South Centre Road | Melbourne Airport | VIC | 31-Dec-13 | 8,900 | **8,900** | 8,700 |
| 31 Garden Street | Kilsyth | VIC | 31-Dec-13 | 8,450 | **8,450** | 8,150 |
| 306 - 318 Abbots Road | Dandenong South | VIC | 31-Dec-13 | 8,000 | **8,000** | 7,725 |
| 75 Annandale Road | Melbourne Airport | VIC | 30-Jun-13 | 6,870 | **6,870** | 6,870 |
| **Queensland** | | | | | | |
| 70 Distribution Street | Larapinta | QLD | 31-Dec-13 | 170,700 | **170,700** | 165,000 |
| 13 Business Street | Yatala | QLD | 31-Dec-13 | 14,300 | **14,300** | 14,000 |
| 5 Viola Place | Brisbane Airport | QLD | 31-Dec-13 | 11,700 | **11,700** | 11,450 |
| 29 Business Street | Yatala | QLD | 30-Jun-13 | 11,500 | **11,650** | 11,500 |
| 670 Macarthur Avenue | Pinkenba | QLD | 30-Jun-13 | 8,450 | **8,450** | 8,450 |
| 10 Gassman Avenue | Yatala | QLD | 30-Jun-13 | 4,700 | **4,750** | 4,700 |
| 3 Viola Place | Brisbane Airport | QLD | 31-Dec-13 | 2,150 | **2,150** | 2,600 |
| **Western Australia** | | | | | | |
| 2 Horrie Miller Drive | Perth Airport | WA | 30-Jun-13 | 115,000 | **118,700** | 115,000 |
| **New South Wales** | | | | | | |
| 27-49 Lenore Drive (i) | Erskine Park | NSW | 31-Aug-13 | 47,700 | **47,700** | - |
| 6-7 John Morphett Place | Erskine Park | NSW | 31-Dec-13 | 38,300 | **38,300** | 38,211 |
| 51-65 Lenore Drive | Erskine Park | NSW | 31-Dec-13 | 23,950 | **23,950** | 23,934 |
| 81 Derby Street | Silverwater | NSW | 31-Dec-13 | 13,800 | **13,800** | 13,750 |
| **South Australia** | | | | | | |
| 599 Main North Road | Gepps Cross | SA | 31-Dec-13 | 61,700 | **61,700** | 59,250 |
| 12-16 Butler Boulevard | Adelaide Airport | SA | 31-Dec-13 | 11,000 | **11,000** | 10,750 |
| 10 Butler Boulevard | Adelaide Airport | SA | 31-Dec-13 | 7,600 | **7,600** | 7,600 |
| **Total Industrial Properties** | | | | 993,970 | **992,433** | 849,640 |

(i) These properties were acquired or completed construction during the period

(ii) This property is still under construction with practical completion expected in March 2014. The book value represents the "as complete" fair value of $18.8 million less the cost to complete plus a reasonable profit margin

## NOTE 7: INVESTMENT PROPERTIES *(cont.)*

| OFFICE PROPERTIES | | | Latest External Valuation Date | Latest External Valuation Valuation | Consolidated Book Value 31-Dec-13 | Consolidated Book Value 30-Jun-13 |
|---|---|---|---|---|---|---|
| | | | | $'000 | $'000 | $'000 |
| **Victoria** | | | | | | |
| Building 2, 572-576 Swan Street | Richmond | VIC | 30-Jun-13 | 75,000 | **76,400** | 75,000 |
| Building 1&3, 572-576 Swan Street | Richmond | VIC | 30-Jun-13 | 51,100 | **51,100** | 51,100 |
| Carpark, 572-576 Swan Street | Richmond | VIC | 30-Jun-12 | 1,000 | **1,125** | 1,125 |
| **Queensland** | | | | | | |
| 333 Ann Street | Brisbane | QLD | 31-Dec-13 | 102,500 | **102,500** | 110,000 |
| 1231-1241 Sandgate Road | Nundah | QLD | 31-Dec-13 | 86,000 | **86,000** | 82,000 |
| CB1, 22 Cordelia Street | South Brisbane | QLD | 31-Dec-13 | 63,000 | **63,000** | 65,000 |
| 32 Cordelia Street | South Brisbane | QLD | 30-Jun-13 | 64,000 | **64,000** | 64,000 |
| 52 Merivale Street | South Brisbane | QLD | 31-Dec-13 | 60,500 | **60,500** | 62,000 |
| CB2, 42 Merivale Street | South Brisbane | QLD | 30-Jun-13 | 35,200 | **37,100** | 35,200 |
| 32 Cordelia Street (Car park) | South Brisbane | QLD | 31-Dec-13 | 10,400 | **10,400** | 10,000 |
| **South Australia** | | | | | | |
| 33-39 Richmond Road | Keswick | SA | 30-Jun-13 | 54,350 | **55,500** | 54,350 |
| 7 Laffer Drive | Bedford Park | SA | 30-Jun-13 | 17,800 | **17,800** | 17,800 |
| **New South Wales** | | | | | | |
| Building C, 219-247 Pacific Highway | Artarmon | NSW | 31-Dec-13 | 90,500 | **90,500** | 87,000 |
| **Tasmania** | | | | | | |
| 89 Cambridge Park Drive | Cambridge | TAS | 31-Dec-13 | 26,000 | **26,000** | 25,500 |
| **Australian Capital Territory** | | | | | | |
| 10-12 Mort Street | Canberra | ACT | 30-Jun-13 | 57,200 | **57,500** | 57,200 |
| **Total Office Properties** | | | | 794,550 | **799,425** | 797,275 |
| **Sub-totals** | | | | 1,788,520 | **1,791,858** | 1,646,915 |
| **Less:** Non-current trade receivables (rental income recognised on a straight line basis) | | | | | **(53,941)** | (51,084) |
| **Total investment properties** | | | | | **1,737,917** | 1,595,831 |

### (A) VALUATION BASIS

The basis of the valuation of investment properties is fair value being the amounts that would be received to sell the property in an orderly transaction between market participants.

External valuations were conducted by Jones Lang LaSalle, Colliers International, Savills, m3property, Urbis, CBRE and Knight Frank. The fair value of properties not externally valued as at 31 December 2013 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 Group accounting policy.

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

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

## NOTE 7: 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:

| INDUSTRIAL | **December 2013** | June 2013 |
|---|---|---|
| Discount rate | **9.3% - 10.8%** | 9.3% - 10.8% |
| Terminal yield | **8.0% - 10.5%** | 8.3% - 10.5% |
| Capitalisation rate | **7.5% - 10.0%** | 7.8% - 10.0% |
| Expected vacancy period | **3-12 months** | 5-12 months |
| Rental growth rate | **2.5% - 5.0%** | 2.5% - 5.0% |

| OFFICE | **December 2013** | June 2013 |
|---|---|---|
| Discount rate | **9.0% - 11.0%** | 8.8% - 11.0% |
| Terminal yield | **8.0% - 11.5%** | 8.3% - 11.5% |
| Capitalisation rate | **7.8% - 11.0%** | 8.0% - 11.0% |
| Expected vacancy period | **6-12 months** | 5-12 months |
| Rental growth rate | **3.1% - 4.5%** | 3.1% - 4.5% |

### COMMENTARY ON DISCOUNT RATES

Over the 6 months to 31 December 2013 the spread in discount rates utilised in the valuation of the Group's property portfolio narrowed very marginally at the tighter end. At the reporting date however, the weighted average discount rate utilised in valuing the Group's property slightly firmed. The implied property risk premium, being the spread between the average discount rate and the 10 Year Australian Government Bond Rate also firmed over the 6 months to 31 December 2013. The reduction in this implied premium is a product of bond rates continuing to increase over the past 12 months, not from any meaningful contraction in discount rates.

### COMMENTARY ON CAPITALISATION RATES

*Industrial*

On a like for like basis the weighted average capitalisation rate over the Group's industrial properties has slightly firmed over the 6 months to 31 December 2013. There continues to be strong interest for prime industrial assets, with competition from both domestic and foreign purchasers actively seeking high quality property.

*Office*

The weighted average capitalisation rate used in valuing the Group's office portfolio has marginally firmed over the 6 months to 31 December 2013. Office sales activity has picked up over the past 12 months due to robust competition from domestic and international investors for A-grade office assets with strong lease covenants and long lease expiries.

### (B) UNCERTAINTY AROUND PROPERTY VALUATIONS

Fair value of investment property is the price at which the property could be sold in an orderly transaction with market participants. A "market participant" is not prepared to sell at any price and orderly transactions are not a forced sale. 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 31 December 2013, 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 and other documents to acquire two properties at 19 and 20 Southern Court, Keysborough, Victoria on a fund through basis. Practical completion of these properties is expected to be in March 2014. A further $9.0 million is payable under the fund through agreement for these properties.

## NOTE 7: INVESTMENT PROPERTIES *(cont.)*

### (D) RECONCILIATION

| | 6 months to 31 December 2013 | 6 months to 30 June 2013 |
|---|---|---|
| | $'000 | $'000 |
| **At Fair value** | | |
| Opening balance | **1,595,831** | 1,579,572 |
| Acquisitions | **125,794** | 4,431 |
| Capital expenditure | **1,104** | 2,961 |
| Disposals | - | - |
| Reclassification to available for sale | - | - |
| Net gain/(loss) on disposals | - | - |
| Net gain/(loss) from fair value adjustment | **15,188** | 8,867 |
| **Closing balance at 30 June** | **1,737,917** | 1,595,831 |

## NOTE 8: OTHER RECEIVABLES

| | 31 December 2013 | 30 June 2013 |
|---|---|---|
| | $'000 | $'000 |
| Payments made to acquire investment properties: | | |
| 27-49 Lenore Drive, Erskine Park, NSW | - | 20,908 |
| 120-132, Atlantic Drive, Keysborough, VIC | - | 43 |
| | - | 20,951 |

During August 2013 the property at 27-49 Lenore Drive, Erskine Park, New South Wales reached practical completion and ownership transferred to the Group with the asset now classed as investment property (see Note 7). Payments of rent from the commencement of the lease in August 2013 are included in Property Revenue in the consolidated statement of profit or loss and other comprehensive income. Interest earned for the period on payments to the developer prior to practical completion was $260,000 and is included in Interest Income in the consolidated statement of profit or loss and other comprehensive income (Dec 12: nil).

During December 2013 the property at 120-132, Atlantic Drive, Keysborough, Victoria reached practical completion and ownership transferred to the Group with the asset now classed as investment property (see Note 7). Payments of rent from the commencement of the lease in December 2013 are included in Property Revenue in the consolidated statement of profit or loss and other comprehensive income.

## NOTE 9: COMMITMENTS

For details of other property commitments see Note 7 (c) above.

## NOTE 10: TRADE AND OTHER PAYABLES

| | 31 December 2013 | 30 June 2013 |
|---|---|---|
| | $'000 | $'000 |
| Trade payables | **561** | - |
| Non-trade payables | **2,257** | 382 |
| GST payable | **422** | 1,269 |
| Accrued expenses - other | **5,638** | 6,986 |
| Prepaid rent | **9,836** | 8,898 |
| | **18,714** | 17,535 |

## NOTE 11: INTEREST BEARING LIABILITIES

The table below summarises the movements in the Group's interest bearing liabilities during the six months to 31 December 2013.

| SECURED BANK LOANS | Opening balance 1 July 2013 | Drawdowns during period | Repayments during period | **Closing balance 31 December 2013** | Facility limit | Maturity |
|---|---|---|---|---|---|---|
| | *$'000* | *$'000* | *$'000* | *$'000* | *$'000* | |
| **Syndicated bank facility** | | | | | | |
| - Tranche A | 255,000 | - | - | **255,000** | 255,000 | Dec-17 |
| - Tranche B | 255,000 | - | - | **255,000** | 255,000 | Dec-18 |
| - Tranche C | 179,498 | 90,427 | (109,306) | **160,619** | 238,207 | Dec-16 |
| - Tranche D | - | - | - | **-** | 6,793 | Dec-16 |
| - Tranche E | 38,694 | 12,000 | (48,694) | **2,000** | 70,000 | Dec-16 |
| **Bilateral bank facility** | 65,234 | - | - | **65,234** | 70,000 | Apr-19 |
| **Total bank loans** | 793,426 | 102,427 | (158,000) | **737,853** | 895,000 | |
| Less unamortised upfront costs | (6,533) | - | 536 | **(5,997)** | | |
| **Total interest bearing liabilities** | 786,893 | 102,427 | (157,464) | **731,856** | | |

The weighted average interest rate (including bank margin) at 31 December 2013 was 6.15% (30 June 2013: 6.70%).

## NOTE 12: DERIVATIVE FINANCIAL INSTRUMENTS

### (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.

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.

| | **31 December 2013** | 30 June 2013 |
|---|---|---|
| | *$'000* | *$'000* |
| Interest rate swap contracts – carried at fair value through profit and loss: | | |
| **Opening balance** | **34,341** | 43,371 |
| Revaluation | **(19,106)** | (9,030) |
| **Closing balance** | **15,235** | 34,341 |

### (B) 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** |
|---|---|---|---|---|
| **31 December 2013** | | | | |
| Derivative financial liabilities | - | 15,235 | - | **15,235** |
| | - | 15,235 | - | **15,235** |

## NOTE 13: SHARE-BASED PAYMENT ARRANGEMENTS

At 31 December 2013 the Group has the following share based payment arrangements:

### EMPLOYEE INCENTIVE PLANS FY 2011, FY 2012, FY 2013 AND FY 2014.

The Group has introduced employee incentive plans 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 9 to 10 in the remuneration report section of the directors' report in the 30 June 2013 Annual 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. The percentage of the maximum possible earnings for each employee is determined by the percentage of the measures under each plan that are achieved.

Subject to the employee remaining employed by the Group, on or about 30 September of each year the employee will receive 25% of his or her performance rights as they vest through the issue of stapled securities in the Group. For the FY 2011, FY 2012 and FY 2013 incentive plans, 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.

For the FY 2014 incentive plan, the first tranche of 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. The number of securities to be issued under this plan in total is determined at this time. The remaining three tranches will issue an equal number of securities and the value of those securities will be more or less than the initial tranche depending on whether the Group security price has increased or decreased. This change to the operation of the Employee Incentive Plan was made by the Board (after the Nomination, Remuneration & HR Committee recommended the change) to more closely align employee benefits with the maximization of wealth for the Group's securityholders.

During the period, the total cost of the FY 2013 Employee Incentive Plan performance rights was determined. The total cost for the director was $552,160 and for employees $487,685. The first tranche of these performance rights vested during the period.

The fair value of performance rights under the FY 2014 Employee Incentive Plan was determined on the grant date of those rights. The fair value of these rights for the director is estimated to be $607,376 and for employees $593,585. This estimate is based on achieving 99% of the maximum payable under the 2014 plan. This is seen as a reasonable estimate for fair value as it is the same percentage achieved for the 2013 plan. The actual costs of performance rights cannot be determined until FY 2015 and the first issue of securities under the 2014 plan will not occur until FY 2015.

During the period, $672,000 was recognised in the share based payments reserve (Dec 12: $428,000). This represents the amounts recognised under the four plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date.

As of the date of the report, the number of securities to be granted and vested in the future cannot be determined for the FY 2011, FY 2012, and FY 2013 incentive plans until the rights fully vest. The FY 2014 incentive plan cannot be determined until the first tranche of performance rights vest.

The table below outlines the value of performance rights vested and issued as stapled securities during the period to 31 December 2013. It also outlines the value of performance rights that are still to vest, where those values can be determined.

| PLAN IDENTIFICATION | PLAN PARTICIPANTS | ISSUE DATE | *Value of securities issued on conversion of performance rights* | *Number of securities issued on conversion of performance rights* | *Value of performance rights still to vest* | *Percentage of plan that vested during FY 2014* |
|---|---|---|---|---|---|---|
| | | | *$* | *No.* | *$* | *%* |
| FY 2013 Plan | Director | 11/12/2013 | 138,041 | 56,574 | 414,123 | 25% |
| FY 2013 Plan | Employees | 7/10/2013 | 122,539 | 50,221 | 367,617 | 25% |
| FY 2012 Plan | Director | 7/10/2013 | 98,791 | 40,488 | 197,582 | 25% |
| FY 2012 Plan | Employees | 7/10/2013 | 89,302 | 36,974 | 166,779 | 25% |
| FY 2011 Plan | Director | 7/10/2013 | 75,869 | 31,094 | 75,869 | 25% |
| FY 2011 Plan | Employees | 7/10/2013 | 53,751 | 22,029 | 53,751 | 25% |

## NOTE 14: CONTRIBUTED EQUITY

| | **Six months to 31 December 2013** | **Six months to 31 December 2013** | Six months to 31 December 2012 | Six months to 31 December 2012 |
|---|---|---|---|---|
| | *No. ('000)* | *$'000* | *No. ('000)* | *$'000* |
| **Opening balance at 1 July** | **402,830** | **973,911** | 379,476 | 925,101 |
| **Issues of ordinary stapled securities during the half-year:** | | | | |
| Rights offer | **40,830** | **100,034** | - | - |
| Placement | **20,408** | **50,000** | - | - |
| Distribution reinvestment plan | **11,399** | **26,788** | 10,671 | 21,554 |
| Securities issued under Employee Incentive Plans | **237** | **-** | 146 | - |
| Cost of raising capital | **-** | **(2,153)** | - | (67) |
| | **72,874** | **174,669** | 10,817 | 21,487 |
| **Closing balance at 31 December** | **475,704** | **1,148,580** | 390,293 | 946,588 |

## NOTE 15: RELATED PARTY DISCLOSURES

### 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 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:

| | | **Six months to 31 December 2013** | Six months to 31 December 2012 |
|---|---|---|---|
| | *Transaction* | *$* | *$* |
| **DIRECTOR** | | | |
| G. Jackson (i) | Valuation | **41,500** | 41,286 |
| F. Marais (ii) | Legal services | **1,780** | - |
| Aggregate amounts payable at the reporting date valuations | | **18,000** | 27,214 |
| Aggregate amounts payable at the reporting date legal services | | **-** | - |

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value two properties (Half-year 2012: 2). 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.

(ii) The Group used the legal services of Glyn Marais, a company that Mr Marais is a partner of, to provide advice on a security purchase plan offered to South African residents. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

## NOTE 15: 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:

| SECURITY HOLDER | *Opening securities 1 July* | *Securities granted as compensation* | *Acquired securities* | *Disposed securities* | **Closing securities 31 December** |
|---|---|---|---|---|---|
| | *No.* | *No.* | *No.* | *No.* | *No.* |
| G. Jackson | 82,672 | - | 37,328 | - | **120,000** |
| L. Shaddock | 490,000 | - | 48,276 | - | **538,276** |
| N. Sasse | 844,253 | - | 173,427 | - | **1,017,680** |
| E. de Klerk | 675,769 | - | 381,095 | - | **1,056,864** |
| T. Collyer | 175,963 | 128,156 | 11,046 | - | **315,165** |
| F. Marais | 62,477 | - | 8,871 | - | **71,348** |
| A. Hockly | 11,780 | 28,427 | - | - | **40,207** |
| D. Andrews | 29,067 | 26,176 | 1,151 | - | **56,394** |
| M. Green | 28,133 | 25,586 | 596 | - | **54,315** |

During the half year to 31 December 2013, a total of 208,345 stapled securities with a total value of $508,362 were issued to key management personnel upon vesting of Performance Rights under the Employee Incentive Scheme.

## NOTE 16: SUBSEQUENT EVENTS

On 20 January 2014, the Group announced that the issue price for securities to be issued under the DRP for the distribution to be paid on 28 February 2014 will be $2.41 per stapled security.

Approximately 77% of Growthpoint's distribution payable on or around 28 February 2014 will be issued new stapled securities under the DRP raising $30.8 million for the issue of 12.8 million new stapled securities. Total stapled securities on issue following the DRP will be 488.5 million.

# DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) the attached Financial Statements and notes set out on pages 26 to 40 are in accordance with the Corporations Act 2001, including:

- i) complying with Australia Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
- ii) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

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

T.J. Collyer.

Timothy Collyer
**Managing Director**
**Growthpoint Properties Australia Limited**

*Melbourne, 17 February 2014*

# 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 Trust

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2013 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Darren Scammell
*Partner*

Melbourne

17 February 2014

# INDEPENDENT AUDITOR'S REPORT

**Independent auditor's review report to the Stapled Security holders of Growthpoint Properties Australia Limited and Growthpoint Properties Australia Trust**

**Report on the consolidated financial report**

We have reviewed the accompanying interim financial report of Growthpoint Properties Australia, which comprises the consolidated statement of financial position as at 31 December 2013, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 16 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 half-year's end or from time to time during the half-year.

*Directors' responsibility for the interim financial report*

The directors of the Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust, are responsible for the preparation of the interim 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 interim financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Growthpoint Properties Australia, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG

*Independence*

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

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Growthpoint Properties Australia is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Darren Scammell
*Partner*

Melbourne

17 February 2014

# ABOUT
# GROWTHPOINT SOUTH AFRICA[1]

Growthpoint Properties Limited of South Africa ("GRT") owns 63.5% of the securities of GOZ (at 31 December 2013) and is its major securityholder.

GRT first invested in GOZ in August 2009. GRT has no other offshore investments.

### GRT'S INVESTMENT IN GOZ IS DRIVEN BY:

- Opportunities available for investment
- Relative income (yield) return and potential for capital growth
- Benefits of diversification
- Business synergies and comparable strategies
- Attractiveness of investment in AUS (stability, economic performance, regulatory environment)

### GOZ REPRESENTS:

- 25.9% of GRT's gross assets
- 27.7% of GRT's net property income
- 15.2% of GRT's total distributable income

### KEY FACTS[1]

| | |
|---|---|
| LISTING | GRT is listed on the Johannesburg Stock Exchange (JSE) |
| RANKING ON JSE | 35th[2] |
| EXCHANGE RATE USED | AUD:ZAR = 9.39 |
| MARKET CAPITALISATION (CURRENTLY) | R 47.0b / AUD 5.0b |
| GROSS ASSETS | R 67.0b / AUD 7.1b |
| NET ASSETS | R 40.3b / AUD 4.8b |
| GEARING (SA ONLY) | 24.3% |
| PROPERTIES | Diversified property portfolio in office, industrial and retail property sectors |
| NO. OF EMPLOYEES (SA ONLY) | 460 |
| NO. OF PROPERTIES | 388 properties in SA including a 50% co-ownership of the V&A Waterfront |

| TOTAL RETURN | 1 YEAR | 3 YEARS | 5 YEARS | 10 YEARS |
|---|---|---|---|---|
| *Dividends reinvested - nominal* | 2.9% | 129% | 132% | 884% |
| *Annual compounded return* | Not released[3] | 31.8% | 18.5% | 26.9% |

1. All information supplied by GRT.
2. At the 2013 Q4 Quarterly Review.
3. GRT releases its results at the end of February 2014.

# SECURITYHOLDER INFORMATION

## TOP 20 LEGAL SECURITYHOLDERS

AS AT 31 DECEMBER 2013

REFER TO THE GRAPHS ON PAGES 8 AND 10 FOR MORE INFORMATION IN RELATION TO BENEFICIAL SECURITYHOLDERS.

| RANK | NAME | *No. of Units* | *% of Units* |
|---|---|---|---|
| 1. | GROWTHPOINT PROPERTIES LIMITED | 302,107,917 | 63.51 |
| 2. | NATIONAL NOMINEES LIMITED | 32,502,960 | 6.83 |
| 3. | STRATEGIC REAL ESTATE MANAGERS (PTY) LTD | 27,225,813 | 5.72 |
| 4. | HSBC CUSTODY NOMINEES (AUSTRALIA) | 19,770,791 | 4.16 |
| 5. | CITICORP NOMINEES PTY LIMITED | 19,118,303 | 4.02 |
| 6. | J P MORGAN NOMINEES AUSTRALIA LIMITED | 13,453,735 | 2.83 |
| 7. | BNP PARIBAS NOMS PTY LTD | 6,258,731 | 1.32 |
| 8. | SHARON INVESTMENTS PTY LTD | 4,752,000 | 1.00 |
| 9. | RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED | 3,778,605 | 0.79 |
| 10. | JP MORGAN NOMINEES AUSTRALIA LIMITED | 3,093,276 | 0.65 |
| 11. | RABINOV HOLDINGS PTY LTD | 2,189,990 | 0.46 |
| 12. | AUST EXECUTOR TRUSTEES SA LTD | 1,733,629 | 0.36 |
| 13. | HSBC CUSTODY NOMINEES (AUSTRALIA) | 1,304,393 | 0.27 |
| 14. | HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED | 1,013,448 | 0.21 |
| 15. | TALSTON PTY LTD | 685,478 | 0.14 |
| 16. | ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD | 615,829 | 0.13 |
| 17. | UBS WEALTH MANAGEMENT AUSTRALIA | 610,202 | 0.13 |
| 18. | BNP PARIBAS NOMS (NZ) LTD | 577,603 | 0.12 |
| 19. | GABA PTY LTD | 575,000 | 0.12 |
| 20. | MR MAX KARL KOEP | 550,000 | 0.12 |
| **Total Top 20 legal holders of fully paid stapled securities** | | **441,917,703** | **92.90** |
| **Total Remaining Holders Balance** | | **33,787,566** | **7.10** |

## DISTRIBUTION OF SECURITYHOLDERS

AS AT 31 DECEMBER 2013

| RANGE | *Total holders* | *Units* | *% of Issued Capital* |
|---|---|---|---|
| 1 - 1,000 | 636 | 368,261 | 0.08 |
| 1,001 - 5,000 | 1,348 | 3,661,554 | 0.77 |
| 5,001 - 10,000 | 508 | 3,762,444 | 0.79 |
| 10,001 - 100,000 | 707 | 17,495,734 | 3.68 |
| 100,001 - 9,999,999,999 | 64 | 450,417,276 | 94.68 |
| **Total** | **3,263** | **475,705,269** | **100.00** |

As at 31 December 2013, there were 475,705,269 fully-paid stapled securities held by 3,263 individual securityholders.

## 2014 SECURITYHOLDER CALENDAR[1]

| | |
|---|---|
| Results for the half year ended 31 December 2013 announced to ASX | 17 February 2014 |
| Distribution paid for the half year ended 31 December 2013 | 28 February 2014 |
| Half year report published | 3 March 2014 |
| Results for the year ended 30 June 2014 announced to ASX | 18 August 2014 |
| Distribution paid for the half year ended 30 June 2014 | 29 August 2014 |
| Annual Tax Statement for year ended 30 June 2014 mailed | 8 September 2014 |
| 2014 Annual Report published | 29 August 2014 |

**1.** Dates subject to change by the Board

## GLOSSARY

| | |
|---|---|
| CPS | cents per stapled security |
| DPS | distributions per stapled security |
| WALE | weighted average lease expiry |

# COMPANY DIRECTORY


## GROWTHPOINT PROPERTIES AUSTRALIA

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ABN 33 124 093 901; AFSL No 316409

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ARSN 120 121 002

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Investor Services Line: 1800 260 453

## SHARE REGISTRY

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## AUDITOR

### KPMG

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