

Growthpoint Properties Australia

Growthpoint Properties Australia Trust ARSN 120 121 002  
Growthpoint Properties Australia Limited ABN 33 124 093 901 AFSL 316409  
[www.growthpoint.com.au](http://www.growthpoint.com.au)

# 2016 Half Year Report

For the six months ended 31 December 2015

## Space to thrive

**GROWTHPOINT**  
PROPERTIES





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## About this Report

This is the Half Year Report for Growthpoint Properties Australia (comprising Growthpoint Properties Australia Limited, Growthpoint Properties Australia Trust and their controlled entities) for the six months ended 31 December 2015. It is available online at [growthpoint.com.au](http://growthpoint.com.au) and in hard copy. Persons can request a hard copy through any of the communication methods listed on the inside back cover of this report.

This report provides readers with an overview of Growthpoint's business including summaries of the strategies, objectives, assets, operating model and achievements at 22 February 2016 as well as financial information over the last one and five year periods. There are also references which enable readers to obtain more information should they wish to.

### About the Directors' Report

The Directors' Report which follows was signed in Melbourne on 22 February 2016 in accordance with a resolution of the Directors of Growthpoint Properties Australia Limited.

The Directors' Report comprises pages 3 to 22 of this report except where referenced otherwise.

## Navigating this interactive report

The following elements have been included to make it easy to read and navigate this report.

### Cross reference symbols



This symbol shows you where to **find related information within this report**. Clicking on the symbol will take you to the relevant page.



Our website contains important and extended information. This symbol shows that you can **find more information online at growthpoint.com.au**. Clicking on the symbol will take you to the relevant page.

### Interactive tables of contents and index

Contents pages on page 2 and 23 are interactive. Click on a listing to be taken to the relevant page.

### Glossary

A detailed glossary is provided on page 50. Pop-up definitions are available for some terms, these can be seen by hovering over underlined text throughout this report.

## Introduction from the Chairman & Managing Director

### Highlights

In HY16, Growthpoint:

- achieved its **distribution guidance of 10.2 cents** per stapled security, 4.1% higher than the previous corresponding period;
- delivered a 1.6% total Securityholder return with the **total Securityholder return for the 12 months to 31 December 2015 being 16.7%<sup>1</sup>**;
- delivered a **9.0% return on equity** with the return on equity for the 12 months to 31 December 2015 being 20.7%<sup>2</sup>;
- **leased 38,325 square metres** across its office and industrial property portfolios;
- recorded a **4.8% increase in net tangible assets** per stapled security from \$2.48 to \$2.60;
- recorded a **3.25% uplift in property valuations** on a like-for-like basis;
- **acquired \$162.0 million of real estate** providing a weighted average initial yield of 7.0%;
- **issued \$250 million of fixed interest rate debt** at an all-in cost of 4.46% p.a. fixed for seven years;
- **maintained its investment grade rating** on senior secured debt of Baa2 from Moody's; and
- established a **sustainability framework**.

### Profit and Distributable Income

Distributable income for HY16 was \$61.0 million, up 7.6% from the previous corresponding period, equating to 10.7 cents per stapled security, a 4.9% increase from the previous corresponding period. HY16 profit was \$125.8 million, a 11.3% decrease from the previous corresponding period. This decrease in statutory profit was due to a smaller increase in property valuations in HY16 compared with HY15, although a significant increase in property valuations was recorded in both periods.

### Distributions

The declared distribution for HY16 was \$58.1 million or 10.2 cents per stapled security providing a payout ratio of 95.2%. Distributions are due to be paid to Securityholders on 29 February 2016 and are 4.1% per stapled security higher than the previous corresponding period. Distributions are forecast to be 56.4% tax deferred. These figures will be confirmed with the full year results release in August 2016.

Distribution guidance for FY16 remains 20.5 cents per stapled security with 10.3 cents per stapled security expected to be distributed to Securityholders on 31 August 2016.

### Net tangible assets

Growthpoint's *NTA* per stapled security moved from \$2.48 at 30 June 2015 to \$2.60 at 31 December 2015, a 4.8% increase. Almost all of this increase was attributable to positive property revaluations (refer to 'Property revaluations' section below). Over the 12 months ended 31 December 2015, *NTA* per stapled security moved from \$2.32 to \$2.60, a 12.1% increase.

### 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 2015 was 20.7% and 74.1% for the five years ended 31 December 2015.



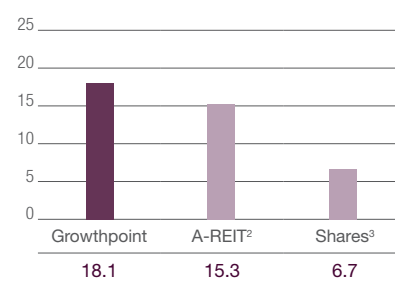
**Geoff Tomlinson**  
Independent Chairman



**Timothy Collyer**  
Managing Director

### Total Securityholder return comparison (%)

per annum, over 5 years to 31 December 2015<sup>1</sup>



1. Source: UBS Investment Research

2. S&P/ASX 300 Prop Index

3. S&P/ASX Acc. Index

1. Source: UBS Investment Research.

2. Percentage change in *NTA* over relevant period plus distributions.





three leases in place with a WALE of 5.3 years, a WARR of 3.2%, gross lettable area of 14,459 square metres and total land area of 25,660 square metres.

m3property independently valued the property at its purchase price of \$20.8 million.

The property is located in Beverley, an established industrial precinct approximately six kilometres from Adelaide's CBD. A number of properties in the precinct have been, or are in the process of being, redeveloped including the new Electrolux headquarters and warehousing facilities for Drake Foodland, Toro Australia and Dulux Paints. The property is 500 metres south of Port Road providing direct and convenient access to both the Adelaide CBD and Port Adelaide.

**18** Refer to pages 18-19 for more details.

### 34 Reddalls Rd, Kembla Grange, New South Wales

In October 2015, Growthpoint acquired a 14.1 hectare industrial property in Wollongong for \$20.3 million. The property is 100% leased to Patrick Autocare, a subsidiary of top 50 ASX entity Asciano Limited, for 15 years with three further options of five years each. Growthpoint receives an initial passing yield of 7.0% and the lease has fixed increases of 4.0% per annum.

JLL independently valued the property at its purchase price of \$20.3 million.

The property primarily comprises an asphalt car park constructed in 2012 with extensive hail mesh and is close to the deep water port at Port Kembla, New South Wales' second busiest port and the State's primary port for car imports. The tenant pays all outgoings and is responsible for maintenance of the property.

**18** Refer to pages 18-19 for more details.

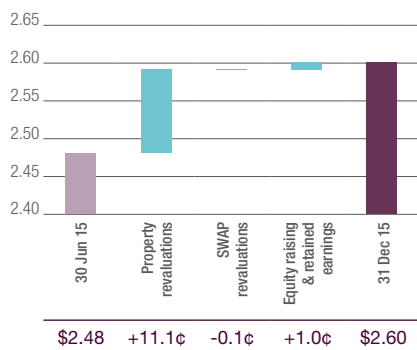
### Building C, 211 Wellington Road, Mulgrave, Victoria

In November 2015, Growthpoint entered transaction documents with Frasers Property Limited (previously Australand Holdings Limited) and Commercial & Industrial Property Pty Ltd for the acquisition of land and the development of an office building to be known as Building C, 211 Wellington Road, Mulgrave, Victoria.

This property will comprise a five storey office building with a lettable area of 10,295 square metres, together with a five level car park of 598 spaces. The total cost will be approximately \$50.9 million, providing an initial income yield of 7.25% on completion of the development. Growthpoint acquired the 1.11 hectare site for \$7.0 million and is

### Movements in NTA (\$)

per stapled security



Growthpoint's NTA per stapled security moved from \$2.48 at 30 June 2015 to \$2.60 at 31 December 2015, a 4.8% increase.

### Total Securityholder return

Growthpoint's total Securityholder return, taking into account distributions paid/payable and the movement in Growthpoint's security price for the 12 months ended 31 December 2015 was 16.7%, versus the S&P/ASX 300 Property Accumulation Index of 14.4%<sup>3</sup>. Over the five years ended 31 December 2015, Growthpoint's total Securityholder return was 18.1% per annum outperforming the S&P/ASX 300 Property Accumulation Index which returned 15.3%<sup>3</sup>.

### Property revaluations

Of the Group's 57 properties, 31 were independently valued at 31 December 2015 with the remainder valued internally by Directors' valuations. In aggregate, the book value of the property portfolio increased by \$77.0 million equating to a 3.25% increase on a like-for-like basis. This was caused by a fall in the weighted average capitalisation rate over HY16 from 7.3% to 7.1% and leasing undertaken in the portfolio. Refer to

**9** **14** **18** the table on page 9 and to pages 14-15 and 18-19 for more details.

### Property acquisitions

During the Half Year Growthpoint acquired two industrial properties and two office properties for a total consideration (including development costs) of \$162.0 million. The acquisitions had a WALE of 9.15 years<sup>4</sup>, a WARR of 3.6% and provide an initial passing yield of 7.0%. Further details are below.

### 1-3 Pope Crt, Beverly, South Australia

In July 2015, Growthpoint acquired a newly constructed industrial property in South Australia for \$20.8 million providing an initial passing yield of 7.75%. The property has

3. Source: UBS Investment Research.

4. Calculated using the respective WALE for each property at each acquisition date.

## Leasing successes in HY16

Address		Sector	Tenant	Start date	Term (years)	NLA (sqm)	Car Parks	Annual rent increases (%)	
A1, 32 Cordelia St	South Brisbane	QLD	Office	Jacobs Group (Australia)	Q4, FY15	11.4 <sup>1</sup>	6,896	50	Fixed 3.75%
A1, 32 Cordelia St	South Brisbane	QLD	Office	Jacobs Group (Australia)	Q4, FY15	1.4 <sup>1</sup>	1,311	11	Fixed 3.75%
333 Ann St	Brisbane	QLD	Office	QER Pty Ltd	Q1, FY16	5.4	679	5	Fixed 4.00%
333 Ann St	Brisbane	QLD	Office	Prosperity Services	Q1, FY16	5.2	410	–	Fixed 3.75%
A4, 52 Merivale St	South Brisbane	QLD	Office	Thai Budda	Q1, FY16	5.0	108	–	Fixed 4.00%
333 Ann St	Brisbane	QLD	Office	Rail Control Systems Australia	Q1, FY16	3.1	291	–	Fixed 3.75%
A1, 32 Cordelia St	South Brisbane	QLD	Office	Jacobs Group (Australia)	Q1, FY16	1.0	1,315	13	Fixed 3.75%
20 Southern Crt	Keysborough	VIC	Industrial	Sales Force National	Q2, FY16	7.2	11,430	53	Fixed 3.00%
333 Ann St	Brisbane	QLD	Office	MedHealth	Q2, FY16	7.1	867	5	Fixed 4.00%
A4, 52 Merivale St	South Brisbane	QLD	Office	University of the Sunshine Coast	Q3, FY16	10.0	2,004	10	Fixed 3.75%
Bldg B, 211 Wellington Rd	Mulgrave	VIC	Office	BSN Medical (Aust.)	Q3, FY16	5.0	1,842	65	Fixed 3.25%
670 Macarthur Ave	Pinkenba	QLD	Industrial	Coventry Group	Q3, FY16	3.0	2,250	–	Fixed 3.00%
A1, 32 Cordelia St	South Brisbane	QLD	Office	Club Vitality	Q3, FY16	8.0	235	–	Fixed 4.00%
3 Millennium Crt	Knoxfield	VIC	Industrial	Orora	Q3, FY16	5.0	8,040	75	Fixed 3.50%
CB2, 42 Merivale St	South Brisbane	QLD	Office	Rouge Hair	Q1, FY17	5.0	80	–	Fixed 4.00%
A4, 52 Merivale St	South Brisbane	QLD	Office	Fluor Australia	Q2, FY17	5.0	567	7	Fixed 3.75%
Total / Weighted Average						7.5	38,325	294	3.6%

1. The lease was executed in Q1, FY16 but the start date was backdated to Q4, FY15

paying the balance of \$43.9 million as works are completed. Completion is expected in late 2016 and Growthpoint receives 7.25% per annum coupon payments from the developers on amounts paid until practical completion.

The building is targeting a 5 star **NABERS** rating and 5 star **Green Star** rating (by design) and will be 47% leased (by area) to BMW Australia Finance Limited under a five year lease (from practical completion) with two further options of five years each. BMW provides retail and wholesale financing for prestige vehicles across Australia, has approximately 85,000 customers and will use the leased premises for administration. BMW is part of BMW Group Financial Services in turn wholly owned by Germany's BMW AG. The remainder of the building is under a rental guarantee from the developers for five years from completion. The rent under the BMW lease and under the developer rent guarantee both increase by 3.25% per annum.

Urbis independently valued the property, on completion, at the acquisition and development cost of \$50.9 million.

Mulgrave is approximately 22 kilometres south-east of Melbourne's Central Business District and is a popular and established office precinct of approximately 300,000

square metres with many corporate tenants. Mulgrave forms part of the South Eastern Suburbs office market of 1.3 million square metres.

This property is located between the major intersections of Blackburn and Springvale Roads and in close proximity to major transport links including Monash Freeway, M3/Eastlink Freeway and Princes Highway. It is adjacent to Building B, 211 Wellington Road which Growthpoint acquired in late 2014 in a similar transaction with Frasers Property Limited and Commercial & Industrial Property Pty Ltd. Building B was completed in December 2015 and is approximately 85% leased, primarily to Monash University, with the balance under a five year rental guarantee from the developers.

**14** Refer to pages 14-15 for more details.

### 255 London Circuit, Canberra, Australian Capital Territory

In November 2015, Growthpoint entered transaction documents for the acquisition of 255 London Circuit, Canberra, Australian Capital Territory for \$70 million. The acquisition settled in late January 2016.

This property comprises a six level A-grade office building with a net lettable area of 8,972 square metres plus 134 basement

Since 31 December 2015, MasterCard has signed a new 5.6 year lease over 1,300 square metres at 333 Ann Street, Brisbane commencing in early 2016 with a 3.5% **WARR**. **Growthpoint is delighted to have attracted another high calibre tenant to its portfolio.**

car parks on 2,945 square metres of land. It is 100% leased to the Commonwealth of Australia represented by the Department of Foreign Affairs and Trade for 11.6<sup>5</sup> years providing an initial yield of 6.53% with fixed annual rent reviews of 3.8%. The Commonwealth of Australia is rated AAA by Standard & Poor's and Fitch and Aaa by Moody's, all with a stable outlook. The property was purpose built for the tenant in 2007, has a 5 star Green Star rating (by design) and a 4.5 star NABERS energy rating.

Knight Frank independently valued the property at the purchase price of \$70.0 million.

5. As at 31 December 2015.

## Growing a portfolio of quality real property investments

### Total portfolio value (\$B)

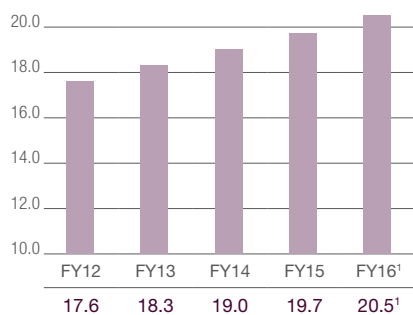
As at 31 December



## Providing a growing income to Securityholders

### Distributions (c)

per stapled security

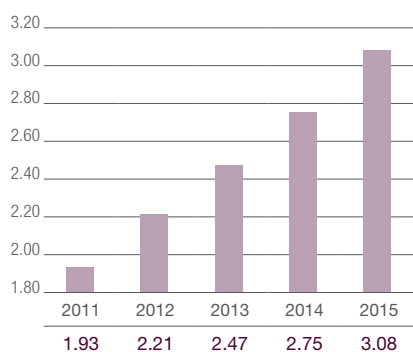


1. Distribution guidance only.

## Increasing liquidity and trading in Growthpoint's securities leading to higher ASX price

### Security price (\$)

As at 31 December



The property is a Crown leasehold interest with 90 years remaining on the lease from the Commonwealth of Australia and is located in the centre of Canberra in "Civic" which includes Canberra's Central Business District. Civic's office market comprises 687,950 square metres of which Growthpoint owns 24,370 square metres or 3.5% including 10-12 Mort Street which is 100% leased to the Commonwealth of Australia for a remaining term of 9.2<sup>6</sup> years. Civic's A-grade vacancy rate is currently 5.7%<sup>7</sup>, significantly lower than the wider Canberra market vacancy rate of 14.9%.

<sup>14</sup> Refer to pages 14-15 for more details.

### Property disposals

Growthpoint did not sell any properties during HY16. Growthpoint may consider property disposals, where the property being disposed of no longer meets Growthpoint's investment criteria or where Growthpoint can utilise the proceeds to secure and increase distributions to Securityholders.

### Property portfolio

Growthpoint's property portfolio has been carefully established by highly experienced property professionals over several years. It comprises one of Australia's best industrial portfolios and a high quality office portfolio spread across every Australian State and Canberra with 80% of the portfolio (by value) in Australia's three most populous States: New South Wales, Victoria and Queensland.

The portfolio has 97% occupancy, fixed weighted average annual rental reviews of 3.1%<sup>8</sup> and a weighted average lease expiry term of 6.6 years. It continues to attract and retain high quality tenants such as Woolworths, the Commonwealth of Australia, NSW Police, and Linfox.

<sup>5</sup> 38,325 square metres of leasing was undertaken in HY16 as detailed in the table on page 5.

<sup>12</sup> Refer to pages 12-20 for more details on the portfolio and individual properties.

### Equity raising

Growthpoint did not raise any equity during HY16 but is due to raise approximately \$42.7 million from the distribution reinvestment plan ("DRP") in respect of its February 2016 distribution. The February 2016 DRP issue price is \$2.91 and the DRP has a 73.6% participation rate. Proceeds will be used for debt reduction and the property acquisitions referred to above.

6. As at 31 December 2015.

7. Property Council of Australia, January 2015.

8. Assumes Consumer Price Index change of 1.7% per annum as per Australian Bureau of Statistics release for CY15.

## Capital management initiatives

Growthpoint issued \$250 million of fixed interest rate debt during HY16 at an all-in cost of 4.46% p.a. fixed for seven years taking the Group's debt facilities to \$1.38 billion and **gearing** to 37.6% at 31 December 2015, at the lower end of the target range of 35%-45%. At 31 December 2015, Growthpoint had 81% of its drawn debt fixed with a weighted average maturity of 6.2 years.

<sup>8</sup> Refer to pages 8-11 for more details of Growthpoint's capital management and hedging profile.

## Net Property Income

Like-for-like net property income decreased by 1.4% from HY15 to HY16 primarily due to increased vacancy at 333 Ann Street, Brisbane. If this property is excluded from the calculation, like-for-like net property income increased by 2.4% HY15 to HY16.

For the 12 months ended 31 December 2015, like-for-like net property income decreased by 1.5%.

The like-for-like net property income referred to above does not include properties which have been purchased or divested since January 2014. These acquisitions and disposals equate to 25.6% of the total portfolio value and have a weighted average net property income growth rate of 3.5%.

On an absolute basis, Growthpoint's net property income increased by 2.5% from HY15 to HY16 and by 7.6% from CY14 to CY15.

## Outlook

Subject to current conditions continuing, the Board and management are confident of Growthpoint's investment strategy and prospects for continued growth in distributions and value.

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 fund through developments.
- Tenant retention strategies and the leasing of current vacant space.
- Maintenance of balance sheet gearing within the range of 35% to 45%.
- Evaluation of tenant requested expansions and redevelopment opportunities within the portfolio.
- Continuing to expand and diversify the Securityholder base and trading liquidity.
- Greater awareness of Growthpoint as an investment option particularly by Australian institutional investors.

## Overview of Growthpoint

### Growthpoint continues to expand through strategic acquisitions

After acquiring \$162.0 million of real estate in HY16, Growthpoint continues to consider a range of property acquisitions and M&A transactions to improve the portfolio and grow returns for Securityholders.



**Aaron Hockly**  
Chief Operating Officer

*3.25% uplift in property valuations on a like-for-like basis.*

### Key statistics

(as at 31 December 2015)

- **\$2.6 billion** portfolio value
- **16.7%** total Securityholder return for CY15<sup>1</sup>
- **\$1.8 billion** market capitalisation
- **\$125.8 million** HY16 statutory profit
- At least **21.3 cps** forecast distributable income for FY16
- **\$61.0 million** HY16 distributable income

### Our mission

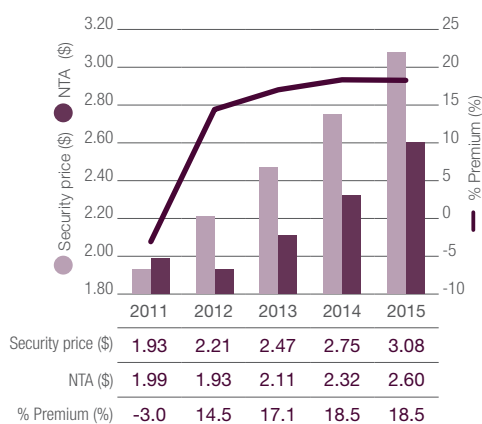
The Group seeks to provide investors with a tradeable security producing consistently growing income returns and long-term capital appreciation.

### Our investment philosophy

To be a pure landlord, with 100% of income derived from rent under leases to quality tenants for commercial real estate.

### Trading premium to NTA

As at 31 December



### Our strategy

Growthpoint 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.

### 100% investment in Australia

All of the Group's 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.

### 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.

### 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 it owns, and accordingly the Group's income is, and will continue to be, derived solely from rental income.

### 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.

1. Source UBS Investment Research.



## Financial Management

During HY16, Growthpoint continued to reduce the average cost of debt, diversify debt sources and extend debt tenor.



**Dion Andrews**  
Chief Financial Officer

### Five-year journey of value creation

31 Dec 2010	> > > > > >	31 Dec 2015
978.2	Property assets (\$m)	2,568
0.5	Market cap (\$b)	1.8
1.93	Security price (\$)	3.08
1.99	NTA per security (c)	2.60
33	Properties	57
10	Staff	15

### New debt issuance and swap reorganisation

In December 2015, Growthpoint entered into AUD\$250 million of new debt capital markets facilities by issuing fixed interest rate debt for seven years at a weighted average all-in fixed interest rate of 4.46% per annum. The proceeds were used to repay existing bank debt.

Concurrently with this new debt issuance, Growthpoint reorganised its interest rate swaps by terminating \$265 million of existing swaps and entering into \$150 million of new interest rate swaps. This led to the percentage of fixed debt being 81% on 31 December 2015, within Growthpoint's target range of 75%-100%.

These transactions enabled Growthpoint to take advantage of historically low interest rates and to extend its debt maturity profile. This is consistent with Growthpoint's announced strategy of diversifying sources of debt, reducing debt costs and extending debt duration. They also build on the Group's successful March 2015 issuance of \$200 million of fixed interest rate debt fixed for 10 years.

Growthpoint's all-in debt cost was 4.53% per annum as at 31 December 2015 down from 4.76% per annum at 30 June 2015.

Growthpoint now has:

1. debt sourced from all four major Australian banks in five tranches;
2. debt capital market issuances to four separate lenders;
3. a weighted average debt maturity of 4.7 years; and
4. approximately one third of its total available debt facilities at fixed interest rates for at least seven years.

### Debt headroom

As at 31 December 2015, Growthpoint had \$373.3 million of debt headroom of which \$255.4 million was uncommitted to property settlements and development costs. This headroom provides capacity for capital expenditure to enhance existing assets as well as potential acquisitions that Growthpoint continues to actively pursue. However, in the absence of appropriate opportunities being available, Growthpoint may consider cancelling excess headroom within shorter dated debt facilities which would extend its weighted average debt maturity profile.

### Capital expenditure

Growthpoint's capital expenditure was \$9.5 million for CY15, up from \$5.9 million for CY14 with the percentage of capital

## Financial Management key statistics

(as at 31 December 2015)

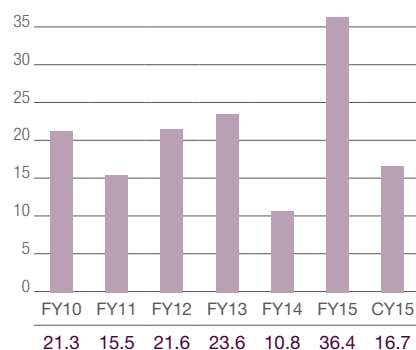
- NTA of **\$2.60** per stapled security
- Balance sheet gearing of **37.6%**
- Target gearing range of **35%-45%**
- All-in cost of debt **4.53%**
- Total debt facilities of **\$1.38 billion**
- **\$1.0 billion** of drawn debt
- Debt headroom of **\$373.3 million**
- **4.7 years** average debt maturity
- **6.2 years** average fixed rate debt maturity
- **81%** debt fixed
- Target range of fixed debt **75%-100%**
- Debt covenants **LVR<60%; ICR>1.6 times**
- **0.41%** operating expenses/average gross assets for CY15
- **0.41%** Capital expenditure/average portfolio value CY15

expenditure to the average property portfolio value increasing to 0.4% for CY15 from 0.3% for CY14. This is a relatively low rate due to the modern nature of our office portfolio and a high percentage of industrial properties which generally require lower capital expenditure to maintain.



### Total Securityholder return (%)

Per annum



1. Source: UBS Investment Research.

*Growthpoint's all-in debt cost was 4.53% p.a. as at 31 December 2015 down from 4.76% p.a. at 30 June 2015.*



A1, 32 Cordelia Street, South Brisbane, QLD

### Summary of movements in value over HY16

Property type	Properties at 30 Jun 2015	Value at 30 Jun 2015	Capex for HY16	Property acquisitions & expansions	Property disposals	Revaluation gain / (loss)	Valuation at 31 Dec 2015	Change due to revaluation	Properties at 31 Dec 2015
	No.	\$m	\$m	\$m	\$m	\$m	\$m	%	No.
Industrial portfolio	36	1,165	1	45	-	10	1,223	0.9	38
Office portfolio	17	1,179	2	110 <sup>1</sup>	-	55	1,345	4.7	19
<b>Total portfolio</b>	<b>53</b>	<b>2,344</b>	<b>3</b>	<b>155</b>	<b>-</b>	<b>65</b>	<b>2,568</b>	<b>2.8</b>	<b>57</b>

1. Includes 255 London Circuit, Canberra, ACT at the purchase price.

### Key debt metrics and changes during HY16

		31 Dec 2015	30 June 2015	Change
Gross assets	\$'000	2,650,462	2,407,147	243,315
Interest bearing liabilities	\$'000	995,308	890,445	104,863
Total debt facilities	\$'000	1,375,000	1,125,000	250,000
Undrawn debt	\$'000	373,280	228,174	145,106
Balance sheet Gearing	%	37.6	37.0	0.6
Weighted average interest rate	%	4.53	4.76	(0.23)
Weighted average debt maturity	years	4.7	4.7	-
Annual Interest Coverage Ratio (ICR) / Covenant ICR	times	4.3 / 1.6	3.9 / 1.6	0.4 / -
Actual Loan to Value Ratio (LVR) / Covenant LVR	%	41.8 / 60	39.4 / 60	2.4 / -
Weighted average fixed debt maturity	years	6.2	5.0	1.2
% of debt fixed	%	81	75	6
Debt providers		NAB, CBA, WBC, ANZ, two US life insurers, one Japanese bank and one Chinese bank	NAB, CBA, WBC, ANZ & a US life insurer	

## 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, depreciation 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

	HY16	HY15	Change	Change
	\$'000	\$'000	\$'000	%
<b>Profit after tax</b>	<b>125,818</b>	<b>141,824</b>	<b>(16,006)</b>	<b>(11.3)</b>
<b>Less non-distributable items:</b>				
- Straight line adjustment to property revenue	(2,140)	(3,614)	1,474	
- Net changes in fair value of investment property	(63,207)	(91,573)	28,366	
- Profit on sale of investment property	-	(250)	250	
- Net loss on derivatives	487	10,282	(9,795)	
- Depreciation	66	70	(4)	
<b>Distributable income</b>	<b>61,024</b>	<b>56,739</b>	<b>4,285</b>	<b>7.6</b>

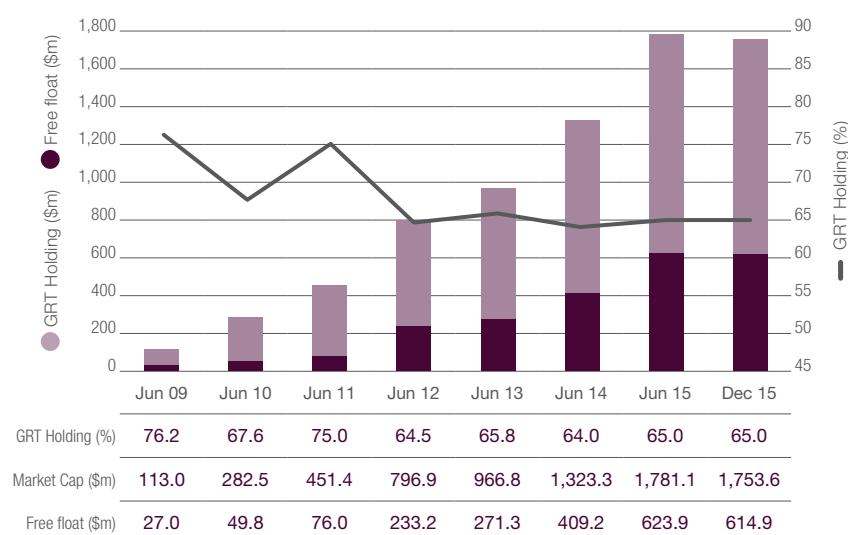
The payout ratio for HY16, calculated as distributions on ordinary stapled securities divided by distributable income, was 95.2% (HY15: 95.8%).

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

### Components of distributable income

	HY16	HY15	Change	Change
	\$'000	\$'000	\$'000	%
Property income	100,422	98,077	2,345	2.4
Property expenses	(13,029)	(12,723)	(306)	2.4
<b>Net property income</b>	<b>87,393</b>	<b>85,354</b>	<b>2,039</b>	<b>2.4</b>
Interest income	315	425	(110)	(25.9)
<b>Total operating income</b>	<b>87,708</b>	<b>85,779</b>	<b>1,929</b>	<b>2.2</b>
Borrowing costs	(21,527)	(24,473)	2,946	(12.0)
Operating and trust expenses (less depreciation)	(4,938)	(4,385)	(553)	12.6
<b>Total operating and trust expenses</b>	<b>(26,465)</b>	<b>(28,858)</b>	<b>2,393</b>	<b>(8.3)</b>
Tax expense	(219)	(182)	(37)	20.3
<b>Distributable income</b>	<b>61,024</b>	<b>56,739</b>	<b>4,285</b>	<b>7.6</b>
<b>Distributions paid</b>	<b>58,072</b>	<b>54,351</b>	<b>3,721</b>	<b>6.8</b>
Tax components	56.4% tax deferred (forecast)	45.4% tax deferred 1.7% tax free		

## Market capitalisation and free float



## Operating and capital expenditure

Operating expenses increased from \$8.7 million for CY14 to \$9.7 million for CY15 primarily due to increased costs from a larger property portfolio. As a percentage of average **gross assets**, operating expenses declined from 0.43% for CY14 to 0.41% for CY15. Assuming no material change to the nature of its portfolio or business, Growthpoint expects its long-run operating expenses to average approximately 0.4% of average gross assets per annum. Growthpoint's capital expenditure is relatively low due to its modern office portfolio and high percentage of industrial property.

## Increase in NTA

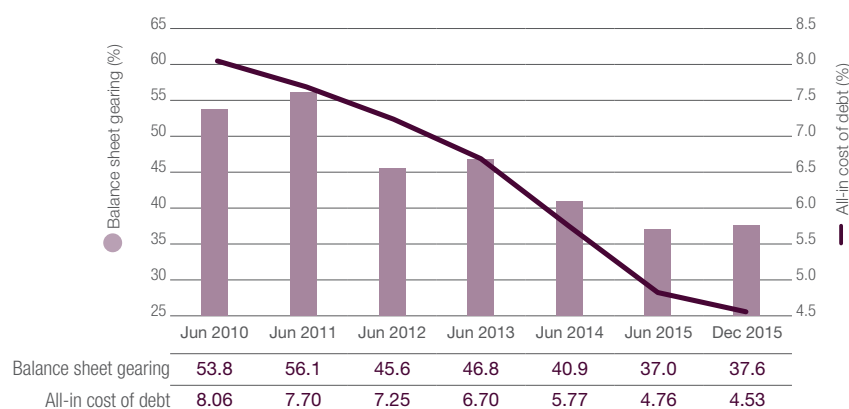
Growthpoint's **NTA** increased from \$1.41 billion on 30 June 2015, \$2.48 per stapled security, to \$1.48 billion at 31 December 2015, \$2.60 per stapled security. Most of this 4.8% increase in NTA per stapled security came from the 3.25% like-for-like property valuation increases over HY16, with interest rate swap revaluations and retained earnings also contributing. Over the last five years, Growthpoint's NTA per stapled security has increased from \$2.03 on 31 December 2010 to \$2.60 on 31 December 2015, a 28.1% increase or 5.1% per annum.

## Outlook

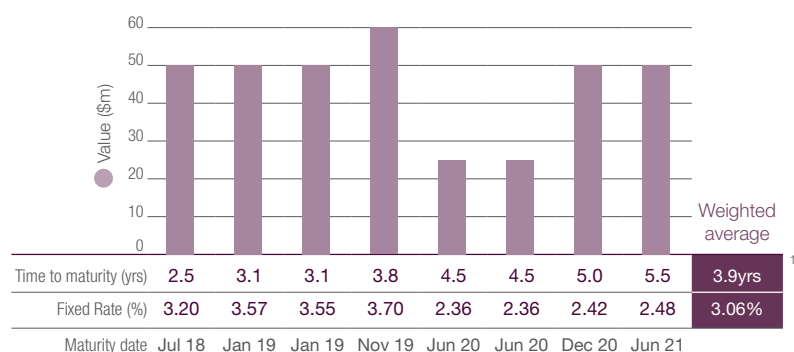
Growthpoint will seek to continue to reduce the average costs of debt and extend debt tenor over the near-term whilst enabling the property portfolio to continue to expand and develop. It will also focus on keeping within its target **gearing** range of 35%-45% and its target of fixed or hedged debt to drawn debt range of 75%-100%.

## Reduction in Gearing and cost of debt (%)

As at month end



## Interest rate hedging



## Auditors' Independence Declaration

A copy of the Auditors' Independence Declaration as required under section 45 307C of the *Corporations Act 2001* is set out on page 45.

## 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.

1. When the \$450 million of fixed debt is included, the weighted average maturity of fixed debt increases to 6.2 years and the weighted average fixed rate reduces to 2.88%.



## Property Portfolio Overview

The property portfolio has 97% occupancy, fixed weighted average annual rental reviews of 3.1% and a weighted average lease expiry term of 6.6 years. It continues to attract and retain high quality tenants such as Woolworths, the Commonwealth of Australia, NSW Police and Linfox.

**Michael Green**  
Head of Property



### Five year performance summary

As at 31 December		2015 <sup>1</sup>	2014 <sup>2</sup>	2013	2012	2011
Number of properties	no.	57	51	49	44	40
Total value	\$m	2,611.5	2,233.6	1,800.8	1,674.0	1,553.7
Occupancy	%	97	98	98	98	100
Like-for-like value change	\$m / % of asset value	77.0 / 3.2	95.2 / 4.5	22.9 / 1.3	3.3 / 0.2	24.1 / 2.1
Total lettable area	sqm	1,085,041	1,023,681	995,964	916,030	885,187
Average property age	years	8.4	7.8	7.0	6.0	5.0
Average valuation cap rate	%	7.1	7.6	8.2	8.4	8.3
WALE	years	6.6	6.5	6.6	7.0	7.8
WARR	%	3.1 <sup>3</sup>	3.1	3.1	3.2	3.0
Average value (per sqm)	\$	2,407	2,182	1,808	1,827	1,755
Average rent (per sqm, per annum)	\$	188	182	158	160	131
HY Net Property Income	\$m	87.4	85.4	72.4	63.4	50.1
Number of tenants	no.	108 <sup>4</sup>	93	89	87	55

1. Includes Building C, 211 Wellington Road, Mulgrave, Victoria at its 'on completion' valuation.

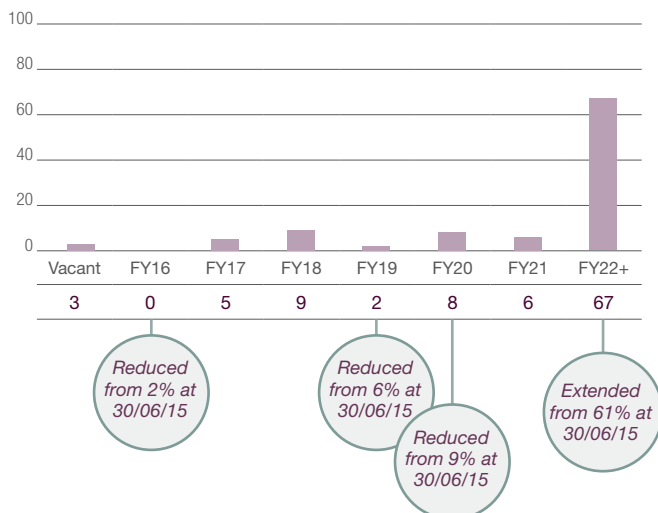
2. Includes Building B, 211 Wellington Road, Mulgrave, Victoria at its 'on completion' valuation.

3. Assumes Consumer Price Index change of 1.7% per annum as per Australian Bureau of Statistics release for CY15.

4. Fuji Xerox is both an office and an industrial tenant.

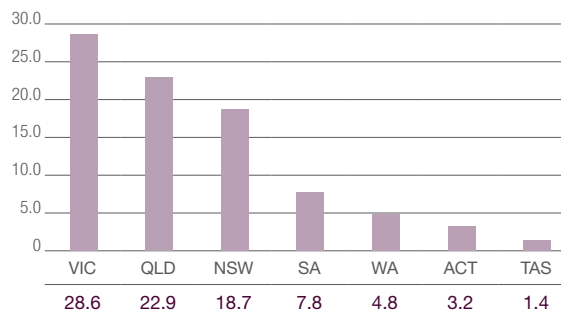
### Portfolio lease expiry profile (%)

per financial year



### Net property income per State / Territory (\$m)

for the six months ended 31 December 2015



**Sector diversity (%)**

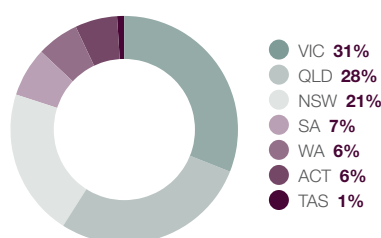
by property value as at 31 December 2015



Office **53%**  
Industrial **47%**

**Geographic diversity (%)**

by property value as at 31 December 2015



VIC **31%**  
QLD **28%**  
NSW **21%**  
SA **7%**  
WA **6%**  
ACT **6%**  
TAS **1%**

**Top ten Tenants**

By passing rent as at 31 December 2015

	%	WALE (yrs)
Woolworths	22	6.7
NSW Police	10	8.4
Commonwealth of Australia	6	10.2
GE Capital Finance Australasia	6	2.2
Linfox	4	7.4
Jacobs Engineering	3	7.9
Energex	3	11.9
Fox Sports	2	7.0
Star Track Express	2	3.5
Downer EDI Mining	2	6.5
<b>Total / Weighted Average</b>	<b>60</b>	<b>7.2</b>
Balance of portfolio	40	5.9
<b>Total portfolio</b>	<b>100</b>	<b>6.6</b>

**Quality tenants (%)**

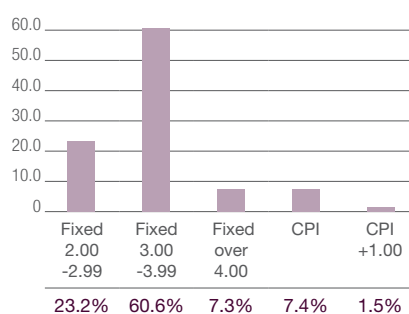
by gross income as at 31 December 2015



Listed company **56%**  
Government owned **24%**  
Private company & other **20%**

**Annual rent review type\***

As at 31 December 2015



\* Leases that have a minimum lease increase, typically 3%, or CPI are shown as the minimum fixed rate for the above.

**Acquisitions for HY16**

**1. Bldg C, 211 Wellington Rd, Mulgrave, VIC** Under development with completion expected late 2016, this property will comprise a five storey office building with a lettable area of 10,295 square metres, plus a five level car park of 598 spaces.

**2. 255 London Circuit, Canberra, ACT** A six level A-grade office building with a net lettable area of 8,972 square metres plus 134 basement car parks on 2,945 square metres of land.

**3. 1-3 Pope Crt, Beverley, SA** A newly constructed warehouse in three tenancies with lettable area of 14,459 square metres and total land area of 25,660 square metres.

**4. 34 Reddalls Rd, Kembla Grange, NSW** A 14.1 hectare industrial property primarily comprising an asphalt car park with extensive hail mesh.



## Office Portfolio Review

HY16 was eventful for Growthpoint's office portfolio with Growthpoint:

1. acquiring two modern office buildings valued collectively at \$120.9 million;
2. leasing 16,605 square metres of office space including 14,763 square metres of leasing in Queensland; and
3. procuring the completion of the development of Building B, 211 Wellington Road, Mulgrave, Victoria ahead of time and on budget.

Growthpoint's office portfolio also experienced significant valuation growth, with valuations growing by 5.1% from 30 June 2015 on a like-for-like basis.

### Acquisitions

Growthpoint maintained a disciplined approach to potential acquisitions. Following careful consideration of several acquisition opportunities, Growthpoint acquired two modern, high quality office buildings valued collectively at \$120.9 million.

A summary of these acquisitions appears in the table on page 15.

The acquisitions complement Growthpoint's modern and sustainable office portfolio and will provide a steady, growing income stream from an excellent tenant base.

The Mulgrave building will be developed by the developers who successfully completed Growthpoint's adjoining property: Building B, 211 Wellington Road.

### Leasing

Leasing has been the primary focus for the office portfolio over the last half year and, as a result, Growthpoint successfully completed 16,605 square metres of new and renewed office leasing in HY16 including 14,763 square metres in Queensland.

Significant leasing completed in HY16 included:

1. 2,247 square metres of new leasing at 333 Ann Street, Brisbane to several tenants;
2. an extension of Jacobs Engineering's lease over 6,896 square metres until 30 September 2026 at A1, 32 Cordelia Street, South Brisbane; and

### Office portfolio key statistics

(as at 31 December 2015)

- **\$1,389.0 million** total value
- **6.8%** average capitalisation rate
- **53%** of Growthpoint's property portfolio
- **95%** occupancy
- **7.0 year** WALE
- **3.3%** WARR<sup>1</sup>
- **19** assets

3. a new 10 year lease to the University of the Sunshine Coast over 2,004 square metres at A4, 52 Merivale Street, South Brisbane.

Growthpoint's modern office assets continue to attract quality tenants and helped maintain a high portfolio tenant retention rate of 85% over HY16.

A table of the office leases undertaken during HY16 is shown below.

**As a result of the above, Growthpoint's largest office asset, the SW1 Complex in South Brisbane comprising four buildings of circa 37,000 square metres and underground car park, is now 100% leased.**

### Leasing successes during HY16

Property	State	Tenant	Start date	Term (years)	NLA (sqm)	Car Parks	Annual rent increases (%)
A1, 32 Cordelia St	South Brisbane	QLD Jacobs Group (Australia)	Q4, FY15 <sup>2</sup>	11.4	6,896	50	Fixed 3.75
A1, 32 Cordelia St	South Brisbane	QLD Jacobs Group (Australia)	Q4, FY15 <sup>2</sup>	1.4	1,311	11	Fixed 3.75
333 Ann St	Brisbane	QLD QER Pty Ltd	Q1, FY16	5.4	679	5	Fixed 4.00
333 Ann St	Brisbane	QLD Prosperity Services	Q1, FY16	5.2	410	-	Fixed 3.75
A4, 52 Merivale St	South Brisbane	QLD Thai Budda	Q1, FY16	5.0	108	-	Fixed 4.00
333 Ann St	Brisbane	QLD Rail Control Systems Australia	Q1, FY16	3.1	291	-	Fixed 3.75
A1, 32 Cordelia St	South Brisbane	QLD Jacobs Group (Australia)	Q1, FY16	1.0	1,315	13	Fixed 3.75
333 Ann St	Brisbane	QLD MedHealth	Q2, FY16	7.1	867	5	Fixed 4.00
A4, 52 Merivale St	South Brisbane	QLD University of the Sunshine Coast	Q3, FY16	10.0	2,004	10	Fixed 3.75
Bldg B, 211 Wellington Rd	Mulgrave	VIC BSN Medical (Aust.)	Q3, FY16	5.0	1,842	65	Fixed 3.25
A1, 32 Cordelia St	South Brisbane	QLD Club Vitality	Q3, FY16	8.0	235	-	Fixed 4.00
CB2, 42 Merivale St	South Brisbane	QLD Rouge Hair	Q1, FY17	5.0	80	-	Fixed 4.00
A4, 52 Merivale St	South Brisbane	QLD Fluor Australia	Q2, FY17	5.0	567	7	Fixed 3.75
<b>Total / Weighted Average</b>				<b>7.9</b>	<b>16,605</b>	<b>166</b>	<b>3.7</b>

1. Assumes Consumer Price Index change of 1.7% per annum as per Australian Bureau of Statistics release for CY15.

2. The lease was executed in Q1, FY16 but the start date was backdated to Q4, FY15



At 31 December 2015, Growthpoint's office portfolio **WALE** was 7.0 years and 95% occupied with only 3% of leases potentially expiring over the next 18 months.

## Valuations

Positive leasing and a buoyant capital market led to valuations increasing by \$61.5 million or 5.1% from 30 June 2015 on a like-for-like basis. The weighted average **capitalisation rate** across Growthpoint's office portfolio is now 6.8% down from 7.3% at 30 June 2015 and from 7.6% at 31 December 2014.

## Development completion

The construction of Building B, 211 Wellington Road, Mulgrave, Victoria completed in December 2015. Growthpoint acquired this property in December 2014 as a development **fund-through** a total consideration of \$62.6 million equating to a 7.75% capitalisation rate. At 31 December

2015 the property value had risen to \$66.6 million, representing a 7.25% capitalisation rate and a 6.4% increase from initial acquisition. The building is 85% leased, up from 62% at acquisition, with the balance under a rent guarantee from the developers. The building is over 65% leased to Monash University.

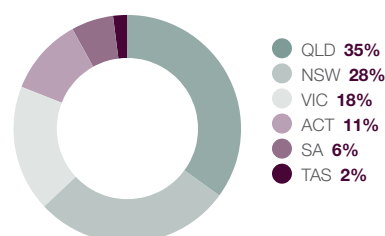
## Focus for the remainder of FY16

Growthpoint's focus is leasing the remaining 6,879 square metres of vacancy in 333 Ann Street, Brisbane as at the date of this report and securing leases over potential future vacancies.

We will also be working hard to integrate the recent acquisitions into the portfolio, whilst continuing to assess new acquisition opportunities. A strategic divestment of some of Growthpoint's non-core office assets may also be considered and progressed during 2016.

## Geographic diversity

by property value as at 31 December 2015



## Net office property income per State / Territory (\$m)

for HY16



## Five year performance summary

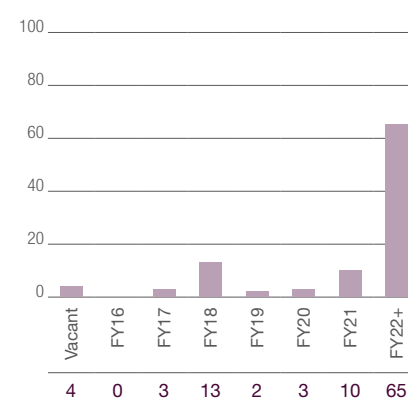
As at 31 December		2015	2014	2013	2012	2011
Portfolio value	\$m	<b>1,389.0</b>	1,154.6	799.4	795.2	729.3
Total properties	no.	<b>19</b>	17	15	15	13
Average cap rate	%	<b>6.8</b>	7.6	8.2	8.4	8.2
% of Growthpoint portfolio	%	<b>53</b>	52	44	48	47
Occupancy	%	<b>95</b>	98	97	97	100
WALE	years	<b>7.0</b>	6.2	5.6	5.7	6.6
Total lettable area	sqm	<b>211,569</b>	192,003	147,326	147,441	131,519
Average rent (per sqm, per annum)	\$	<b>533</b>	528	506	508	469

## HY16 acquisitions

Property	Building C, 211 Wellington Road, Mulgrave, VIC	255 London Circuit, Canberra, ACT
Acquisition Price	\$50.875 million	\$70.025 million
Initial Yield	7.25%	6.53%
Property Constructed	Under construction (completion expected late 2016)	2007
Lettable Area	10,295 square metres	8,972 square metres
Car Spaces	598	134
Major Tenant(s)	BMW Australia Finance Limited (47%) Developer Rental Support Deed (53%)	Commonwealth of Australia represented by the Department of Foreign Affairs and Trade (100%)
WALE	5.0 years (from completion)	11.6 years (at 31 December 2015)
WARR	Fixed 3.25% per annum	Fixed 3.8% per annum plus two market reviews during the lease term
NABERS Energy Rating	5 Stars (anticipated)	4.5 Stars

## Office portfolio lease expiry profile (%)

per financial year (at date of this report)



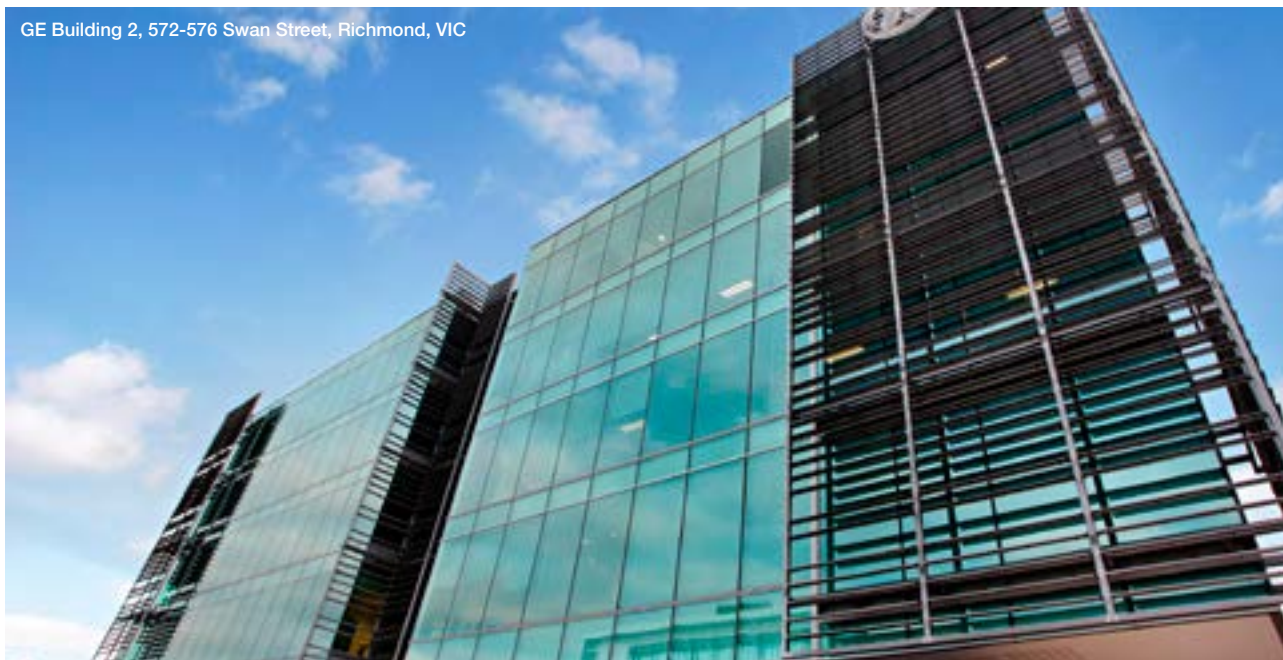
Between 31 December 2015 and the release of this report, a further 1,300 square metres of leasing has been undertaken at 333 Ann Street, Brisbane, reducing current vacancy to 4% (as shown above).

## Office Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			\$'000		%	%		years	sqm	sqm
Bldg 2, 572-576 Swan St	Richmond	VIC	79,200	Directors	7.25	8.25	GE Capital Finance Australasia	2.2	14,660	7,201
Bldg B, 211 Wellington Rd	Mulgrave	VIC	66,600	Urbis	7.25	8.00	Monash University	4.9	12,780	11,040
Buildings 1 & 3, 572-576 Swan St	Richmond	VIC	55,400	Directors	7.25	8.25	GE Capital Finance Australasia	2.2	10,250	16,819
Bldg C, 211 Wellington Rd <sup>1</sup>	Mulgrave	VIC	50,875	Directors	7.25	8.25	BMW Australia Finance	5.0	10,295	11,070
Car Park, 572-576 Swan St	Richmond	VIC	1,200	Directors	12.00	–	GE Capital Finance Australasia	2.2	–	3,756
1231-1241 Sandgate Rd	Nundah	QLD	99,000	Knight Frank	6.50	7.25	Energex	10.8	12,980	4,451
333 Ann St	Brisbane	QLD	92,500	Directors	7.75	8.25	QLD Local Government Super Board	5.2	16,490	1,563
CB1, 22 Cordelia St	South Brisbane	QLD	88,750	Knight Frank	6.75	8.25	Downer EDI Mining	6.4	11,529	5,772
A1, 32 Cordelia St	South Brisbane	QLD	71,000	Knight Frank	6.50	8.25	Jacobs Engineering	7.8	10,052	2,667
A4, 52 Merivale St	South Brisbane	QLD	67,500	Knight Frank	6.75	8.25	University of the Sunshine Coast	4.5	9,405	2,331
CB2, 42 Merivale St	South Brisbane	QLD	52,250	Knight Frank	6.50	8.25	Peabody Energy	8.9	6,598	3,158
Car Park, 32 Cordelia St & 52 Merivale St	South Brisbane	QLD	18,000	Knight Frank	6.25	8.00	Secure Parking	3.9	–	9,319
33-39 Richmond Rd	Keswick	SA	61,000	Directors	8.00	9.00	Coffey Corporate	7.5	11,835	4,169
7 Laffer Dr	Bedford Park	SA	16,000	Directors	10.00	10.00	Westpac Banking Corporation	2.6	6,639	33,090
1 Charles St	Parramatta	NSW	277,500	Urbis	6.25	7.75	NSW Police	8.4	32,314	6,460
Bldg C, 219-247 Pacific Hwy	Artarmon	NSW	108,500	Savills	6.75	8.00	Fox Sports	6.2	14,496	4,212
89 Cambridge Park Dr	Cambridge	TAS	27,000	JLL	8.25	8.25	Hydro Tasmania Consulting	8.3	6,876	28,080
10-12 Mort St	Canberra	ACT	86,700	Directors	6.75	7.75	Commonwealth of Australia	9.2	15,398	3,064
255 London Circuit	Canberra	ACT	70,025	Directors	6.00	6.75	Commonwealth of Australia	11.7	8,972	2,945
							NSW Police, GE Capital Finance Australasia and Commonwealth of Australia	7.0	211,569	161,167
<b>Total / Weighted Average</b>			<b>\$1,389.0m</b>	<b>–</b>	<b>6.85</b>	<b>–</b>				

1. Includes Building C, 211 Wellington Road, Mulgrave, Victoria at its 'on completion' valuation.

GE Building 2, 572-576 Swan Street, Richmond, VIC



1 Charles Street, Parramatta, NSW



## Industrial Portfolio Review

Growthpoint's industrial property portfolio remained 100% occupied at 31 December 2015.

Growthpoint continued its track record of renewing leases well ahead of the lease expiry date.



**Andrew Fitt**  
Senior Asset Manager

*Growthpoint expects demand for industrial property to remain robust in 2016*

### Leasing

The ASX-listed Coventry Group renewed its lease of Building 2, 670 Macarthur Avenue, Pinkenba, Queensland. The lease of this 2,250 square metre warehouse was renewed for three years from 1 February 2016 with annual CPI rent increases, subject to a minimum increase of 3.0%. This, together with another lease renewal at the premises in early 2015, extended the property **WALE** to 3.8 years as at 31 December 2015.

In September 2015, Growthpoint extended the lease of 3 Millennium Court, Knoxfield, Victoria to ASX-listed Orora for a further five years from 1 March 2016. This 8,040 square metre property was purchased in May 2015 with 0.8 years remaining on the lease. Following this lease extension, there were 5.2 years remaining on the lease as at 31 December 2015. The lease extension has resulted in a valuation increase from \$9.25 million at acquisition to \$10.45 million or 13.0%.

Sales Force National (trading as Zenexus) leased 20 Southern Court, Keysborough, Victoria for 7.2 years. This was previously under a rental guarantee from the developer of the building.

A five year lease to K.W.Doggett & Co of 5,312 square metres at 3 Pope Court, Beverley, South Australia commenced on 1 December 2015. This space was also previously under a rental guarantee from the developer of the building.

### Acquisitions

In July 2015, Growthpoint purchased a multi-tenanted industrial property at 1-3 Pope Court, Beverley, in Adelaide's inner western industrial precinct, for \$20.8 million providing an initial passing yield of 7.75%. The property was newly constructed at acquisition and had a **WALE** of 5.3 years and a **WARR** of 3.2%.

In October 2015, Growthpoint acquired a 14.1 hectare industrial property in Wollongong, New South Wales for \$20.3 million with a 15 year lease remaining to Patrick Autocare (subsidiary of top 50 ASX listed entity Asciano). The property is used as a car storage facility and is close to NSW's main port for vehicle imports. The acquisition provided an initial passing yield of 7.00% and the lease has fixed 4.0% rent increases throughout the term.

### Industrial portfolio key statistics

(as at 31 December 2015)

- **\$1,222.5 million** total value
- **7.3%** average capitalisation rate
- **47%** of Growthpoint's property portfolio
- **100%** occupancy
- **6.2 year** WALE
- **2.8%** WARR<sup>1</sup>
- **38** assets

### Expansions and Capital Improvements

Growthpoint funded capital improvements to 101-103 William Angliss Drive, Laverton North, Victoria at a cost of approximately \$1.5 million adding approximately \$123,000 per annum to the annual rent of the property. The rent, including the increase from the Growthpoint funded improvements, increases by 3.5% per annum and there are 13.2 years remaining on the lease.

### Valuations

The value of the industrial property portfolio (before acquisitions) increased by \$15.5 million over the six months ended 31 December 2015 or 1.3% on a like-for-like basis.

The weighted average capitalisation rate across Growthpoint's industrial property portfolio is 7.3% at 31 December 2015; down from 7.6% at 31 December 2014 with no change from 30 June 2015.

### Looking Ahead

Growthpoint expects demand for industrial property to remain robust in 2016. Demand for warehousing in particular, driven by internet retailing and increasing imports of consumer and manufactured goods, is expected to increase. Growthpoint may seek to capitalise on this demand and recycle capital out of non-core assets and locations into assets which better meet Growthpoint's strict investment criteria.

1. Assumes Consumer Price Index change of 1.7% per annum as per Australian Bureau of Statistics release for CY15.

1-3 Pope Court, Beverley, SA



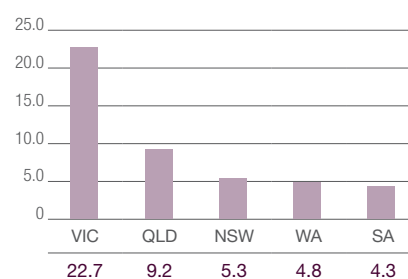
### Geographic diversity

by property value as at 31 December 2015



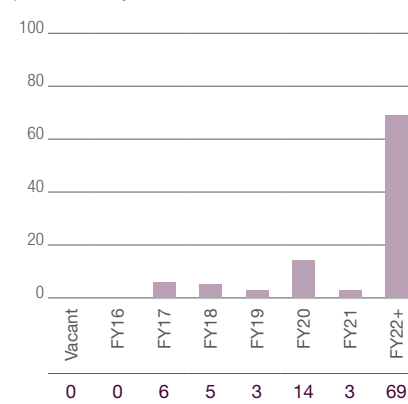
### Net industrial property income per State (\$m)

HY16



### Industrial portfolio lease expiry profile (%)

per financial year



Reduced from 1% at 30/06/15

### Five year performance summary

As at 31 December		2015	2014	2013	2012	2011
Portfolio value	\$m	1,222.5	1,079.0	1,001.4	878.8	824.4
Total properties	no.	38	34	34	29	27
Average cap rate	%	7.3	7.6	8.2	8.3	8.4
% of Growthpoint portfolio	%	47	48	56	52	53
Occupancy	%	100	99	100	100	100
WALE	years	6.2	6.9	7.4	8.3	9.0
Total lettable area	sqm	873,472	831,678	848,638	768,589	753,668
Average rent (per sqm, per annum)	\$	108	101	98	97	94

## Industrial Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			\$'000		%	%		years	sqm	sqm
120 Northcorp Blvd	Broadmeadows	VIC	75,200	Directors	7.25	8.25	Woolworths	5.6	58,320	250,000
28 Bilston Dr	Wodonga	VIC	72,500	Savills	8.75	9.25	Woolworths	5.6	57,440	250,000
522-550 Wellington Rd	Mulgrave	VIC	63,000	m3property	7.25	8.00	Woolworths	5.6	68,144	191,200
1500 Ferntree Gully Rd & 8 Henderson Rd	Knoxfield	VIC	37,300	Directors	7.00	8.25	Brown & Watson International	7.7	22,009	40,844
40 Annandale Rd	Melbourne Airport	VIC	35,700	Directors	9.00	9.00	Star Track Express	3.5	44,424	75,325
9-11 Drake Blvd	Altona	VIC	30,900	Savills	6.75	8.00	Peter Stevens Motorcycles	5.7	25,743	41,730
101-103 William Angliss Dr	Laverton North	VIC	28,000	m3property	6.75	8.25	Scott's Refrigerated Freightways	13.2	8,871	37,350
213-215 Robinsons Rd	Ravenhall	VIC	27,250	Directors	6.75	8.25	Fuji Xerox	9.5	21,092	45,020
120-132 Atlantic Dr	Keysborough	VIC	22,350	Savills	6.25	8.00	Symbion	13.0	12,864	26,181
Lots 2, 3 & 4, 44-54 Raglan St	Preston	VIC	21,650	CBRE	8.25	8.50	Paper Australia	3.7	26,980	42,280
130 Sharps Rd	Melbourne Airport	VIC	21,500	CBRE	8.00	8.50	Laminex Group	6.5	28,100	47,446
365 Fitzgerald Rd	Derrimut	VIC	18,000	Directors	7.00	8.25	Bridgestone Australia	4.2	16,114	29,860
120 Link Rd	Melbourne Airport	VIC	14,000	CBRE	8.75	8.75	The Reject Shop	1.1	26,517	51,434
20 Southern Crt	Keysborough	VIC	13,900	Directors	7.00	8.25	Sales Force National	7.0	11,430	19,210
60 Annandale Rd	Melbourne Airport	VIC	12,500	Directors	9.50	9.00	Willow Ware Australia	2.3	16,276	34,726
6 Kingston Park Crt	Knoxfield	VIC	11,450	Directors	7.00	8.25	NGK Spark Plug	6.4	7,645	12,795
3 Millennium Crt	Knoxfield	VIC	10,450	CBRE	7.25	7.75	Orora	5.2	8,040	14,750
31 Garden St	Kilsyth	VIC	9,600	m3property	7.75	8.25	Cummins Filtration	2.9	8,919	17,610
45-55 South Centre Rd	Melbourne Airport	VIC	8,550	Savills	8.75	9.75	Willow Ware Australia	1.2	14,082	24,799
19 Southern Crt	Keysborough	VIC	8,000	Directors	7.25	8.25	Transms	3.3	6,455	11,650
75 Annandale Rd	Melbourne Airport	VIC	7,200	Directors	9.00	9.00	Neovia Logistics Services	0.8	10,280	16,930
70 Distribution St	Larapinta	QLD	198,500	JLL	7.10	8.25	Woolworths	6.2	75,425	250,900
13 Business St	Yatala	QLD	14,850	Urbis	7.75	8.50	Reward Supply Co.	3.7	8,951	18,630
29 Business St	Yatala	QLD	11,000	Directors	8.00	8.75	CMC Coil Steels	1.3	8,680	16,460
670 Macarthur Ave	Pinkenba	QLD	9,750	Directors	7.25	8.50	Reliance Worldwide Corp	3.8	5,578	10,360
5 Viola Pl	Brisbane Airport	QLD	8,500	Directors	9.75	9.00	GPC Asia Pacific	1.5	14,726	35,166
10 Gassman Dr	Yatala	QLD	4,650	Directors	7.75	8.75	Norman Ellison Carpets	1.8	3,188	6,480
3 Viola Pl	Brisbane Airport	QLD	1,950	JLL	9.00	8.25	Cargo Transport Systems	7.2	3,431	12,483
20 Colquhoun Rd	Perth Airport	WA	141,000	Savills	6.75	8.25	Woolworths	9.8	80,374	193,936
27-49 Lenore Dr	Erskine Park	NSW	60,000	Directors	6.25	8.00	Linfox	7.7	29,476	76,490
6-7 John Morphett Pl	Erskine Park	NSW	44,500	Savills	6.50	8.00	Linfox	4.3	24,881	82,280
51-65 Lenore Dr	Erskine Park	NSW	29,500	Savills	6.25	8.00	Linfox	12.2	3,720	36,720
34 Reddalls Rd	Kembla Grange	NSW	20,317	Directors	7.00	8.50	Patrick Autocare	14.8	355	141,100
81 Derby St	Silverwater	NSW	15,500	Savills	7.25	8.25	IVE Group Australia	1.7	7,984	13,490
599 Main North Rd	Gepps Cross	SA	70,000	Urbis	7.25	8.25	Woolworths	5.6	67,238	233,500
1-3 Pope Crt	Beverley	SA	20,815	Directors	7.75	8.75	Aluminium Specialties Group	4.9	14,459	25,660
12-16 Butler Blvd	Adelaide Airport	SA	14,100	m3property	8.50	8.75	Cheap as Chips	4.9	16,800	30,621
10 Butler Blvd	Adelaide Airport	SA	8,600	Urbis	8.75	8.75	Toll Transport	2.1	8,461	16,100
<b>Totals / Weighted Average</b>			<b>\$1,222.5m</b>	<b>-</b>	<b>7.30</b>	<b>-</b>	<b>Woolworths &amp; Linfox</b>	<b>6.2</b>	<b>873,472</b>	<b>2,481,516</b>



70 Distribution Street, Larapinta, QLD



75 Annandale Road, Melbourne Airport, VIC



## Board of Directors



Full bios on all Directors can be found online at [growthpoint.com.au/about/board/](http://growthpoint.com.au/about/board/)



### Geoffrey Tomlinson (68)

Independent Chairman and Director  
BEC

43 years experience in the financial services industry.



### Timothy Collyer (47)

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

Over 27 years' experience in A-REITS and unlisted property funds, property investment, development and valuations.



### Maxine Brenner (53)

Independent Director  
BA, LLB

Maxine has over 25 years experience in corporate advisory, mergers and acquisition, financial and legal advisory work.



### Estienne de Klerk (46)

Director<sup>1</sup>  
BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Accounting), CA (SA)

Over 19 years' experience in banking and property finance.



### Grant Jackson (49)

Independent Director  
Assoc. Dip. Valuations, FAPI

Over 29 years' experience in the property industry, including 26 years as a qualified valuer.



### Francois Marais (61)

Independent Director  
BCom, LLB, H Dip (Company Law)

Over 25 years' experience in the listed property market.



### Norbert Sasse (51)

Director<sup>2</sup>  
BCom (Hons) (Acc), CA (SA)

Over 20 years' experience in corporate finance and 10 years' experience in the listed property market.

1. Not deemed independent as Executive Director of GRT. 2. Not deemed independent as CEO of GRT.

## Executive Management



Full bios on all Executive Management can be found online at [growthpoint.com.au/about/executive-management/](http://growthpoint.com.au/about/executive-management/)



### Aaron Hockly (37)

Chief Operating Officer  
BA, LLB, GDLP, GradDipAcg, MAppFin, FCIS, MAICD, FGI, SAFin

Over 14 years' experience in corporate governance, financial services, corporate and commercial law, property finance and M&A.



### Michael Green (36)

Head of Property  
B.Bus (Prop)

Over 13 years' experience in listed and unlisted property fund management, property investment and development.



### Dion Andrews (43)

Chief Financial Officer  
B.Bus, FCCA

Over 14 years' experience in accounting roles in a corporate capacity.



## Interim Financial Report

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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 2015 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 period ended 31 December 2015	Notes	Half-year 2015	Restated Half-year 2014
		\$'000	\$'000
<b>Revenue</b>			
Property revenue		100,422	98,077
Straight line adjustment to property revenue		2,140	3,614
Net changes in fair value of investment properties		63,207	91,573
Profit on sale of investment properties		–	250
Net change in fair value of derivatives		9,984	(10,282)
Loss on settlement of derivative		(10,471)	–
<b>Net investment income</b>		<b>165,282</b>	<b>183,232</b>
<b>Expenses</b>			
Property expenses		(13,029)	(12,723)
Other expenses from ordinary activities		(5,004)	(4,455)
<b>Total expenses</b>		<b>(18,033)</b>	<b>(17,178)</b>
<b>Profit from operating activities</b>		<b>147,249</b>	<b>166,054</b>
Interest income		315	425
Borrowing costs		(21,527)	(24,473)
<b>Net finance costs</b>		<b>(21,212)</b>	<b>(24,048)</b>
<b>Profit before income tax</b>		<b>126,037</b>	<b>142,006</b>
Income tax expense		(219)	(182)
<b>Profit for the period</b>		<b>125,818</b>	<b>141,824</b>
<b>Profit attributable to:</b>			
Owners of the Trust		125,917	141,908
Owners of the Company		(99)	(84)
		<b>125,818</b>	<b>141,824</b>
Distribution to securityholders	4.4	(58,072)	(54,351)
<b>Change in net assets attributable to Securityholders / Total Comprehensive Income</b>		<b>67,746</b>	<b>87,473</b>
<b>Basic and diluted earnings per stapled security (cents)</b>		<b>22.1</b>	<b>25.6</b>

Refer to section 1 “Accounting Policies” for further information on the restatement half-year 2014.

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 2015	Notes	31-Dec-15	Restated 30-Jun-15
		\$'000	\$'000
<b>Current assets</b>			
Cash and cash equivalents		40,127	26,858
Trade and other receivables	3.2	41,854	35,638
<b>Total current assets</b>		<b>81,981</b>	<b>62,496</b>
<b>Non-current assets</b>			
Trade and other receivables (non current)	3.2	53,268	51,129
Plant & equipment		253	312
Investment properties	3.1	2,514,390	2,292,711
Deferred tax assets		570	499
<b>Total non-current assets</b>		<b>2,568,481</b>	<b>2,344,651</b>
<b>Total assets</b>		<b>2,650,462</b>	<b>2,407,147</b>
<b>Current liabilities</b>			
Trade and other payables	3.3	106,378	28,291
Provision for distribution payable	4.4	58,072	56,334
Current tax payable		850	560
<b>Total current liabilities</b>		<b>165,300</b>	<b>85,185</b>
<b>Non-current liabilities</b>			
Interest bearing liabilities	4.1	995,308	890,445
Derivative financial instruments	4.2	10,016	20,000
<b>Total non-current liabilities</b>		<b>1,005,324</b>	<b>910,445</b>
<b>Total liabilities</b>		<b>1,170,624</b>	<b>995,630</b>
<b>Net assets</b>		<b>1,479,838</b>	<b>1,411,517</b>
<b>Securityholders' funds</b>			
Contributed equity	4.3	1,376,011	1,376,011
Reserves		4,423	3,847
Accumulated profits		99,404	31,659
<b>Total Securityholders' funds</b>		<b>1,479,838</b>	<b>1,411,517</b>

Refer to section 1 "Accounting Policies" for further information on the restatement as at 30 June 2015.

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

## Consolidated Statement of Changes in Equity

For the half-year ended 31 December 2015	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 30 June 2015	1,376,011	3,369	471	7	31,659	1,411,517
<b>Total comprehensive income for the period</b>						
Profit after tax for the period	–	–	–	–	125,818	125,818
Total other comprehensive income	–	–	–	–	–	–
<b>Total comprehensive income for the period</b>	–	–	–	–	125,818	125,818
<b>Transactions with securityholders in their capacity as Securityholders:</b>						
Contributions of equity, net of transaction costs	–	–	–	–	–	–
Distributions provided or paid	–	–	–	–	(58,072)	(58,072)
Share-based payment transactions	–	575	–	–	–	575
Deferred tax expense charged to equity	–	–	–	–	–	–
<b>Total transactions with Securityholders</b>	–	575	–	–	(58,072)	(57,497)
<b>Balance at 31 December 2015</b>	1,376,011	3,944	471	7	99,405	1,479,838
Total recognised income and expense for the period is attributable to:						
- Trust						125,917
- Company						(99)
<b>Growthpoint Properties Australia</b>						125,818



<b>For the half-year ended 31 December 2014</b>	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits / (losses)	<b>Total</b>
	\$'000	\$'000	\$'000	\$'000	\$'000	<b>\$'000</b>
<b>Balance at 30 June 2014</b>	1,303,009	2,257	461	7	(140,660)	<b>1,165,074</b>
<b>Total comprehensive income for the period</b>						
Profit after tax for the period	–	–	–	–	141,824	<b>141,824</b>
Total other comprehensive income	–	–	–	–	–	<b>–</b>
<b>Total comprehensive income for the period</b>	–	–	–	–	141,824	<b>141,824</b>
<b>Transactions with securityholders in their capacity as securityholders:</b>						
Contributions of equity, net of transaction costs	33,659	–	–	–	–	<b>33,659</b>
Distributions provided or paid	–	–	–	–	(54,351)	<b>(54,351)</b>
Share-based payment transactions	–	562	–	–	–	<b>562</b>
Deferred tax expense charged to equity	–	–	–	–	–	<b>–</b>
<b>Total transactions with securityholders</b>	33,659	562	–	–	(54,351)	<b>(20,130)</b>
<b>Balance at 31 December 2014</b>	1,336,668	2,819	461	7	(53,187)	<b>1,286,768</b>
Total recognised income and expense for the period is attributable to:						
- Trust						<b>141,908</b>
- Company						<b>(84)</b>
<b>Growthpoint Properties Australia</b>						<b>141,824</b>

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

## Consolidated Cash Flow Statement

For the half-year ended 31 December 2015	Half-year 2015	Half-year 2014
	\$'000	\$'000
<b>Cash flows from operating activities</b>		
Cash receipts from customers	102,396	98,545
Cash payments to suppliers	(17,439)	(17,443)
Cash generated from operating activities	84,957	81,102
Interest paid	(21,559)	(24,486)
Taxes paid	–	–
<b>Net cash inflow from operating activities</b>	<b>63,398</b>	<b>56,616</b>
<b>Cash flows from investing activities</b>		
Interest received	315	425
Receipts from sale of investment properties	–	19,000
Payments for investment properties	(88,526)	(938)
Payments for plant & equipment	(7)	(5)
<b>Net cash (outflow) / inflow from investing activities</b>	<b>(88,218)</b>	<b>18,482</b>
<b>Cash flows from financing activities</b>		
Proceeds from external borrowings	373,032	120,525
Repayment of external borrowings	(268,138)	(175,502)
Proceeds from equity raising	–	34,366
Equity raising costs	–	(706)
Payment for settlement of derivatives	(10,471)	–
Distributions paid to securityholders	(56,334)	(46,851)
<b>Net cash inflow / (outflow) from financing activities</b>	<b>38,089</b>	<b>(68,168)</b>
Net increase in cash and cash equivalents	13,269	6,930
Cash and cash equivalents at the beginning of the period	26,858	21,321
<b>Cash and cash equivalents at the end of the period</b>	<b>40,127</b>	<b>28,251</b>

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

# Notes to the Financial Statements

## Section 1: Basis of Preparation

### in this section ...

This section outlines the entities being reported on and confirms compliance with accounting standards.

### 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 2015. The Group's registered address is Level 22, 357 Collins Street, Melbourne, Victoria 3000, Australia.

### Statement of compliance

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 2015 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 22 February 2016.

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.

### 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 2015 and the corresponding interim reporting period, except as outlined below.

The Group has adopted a change to its policy with regards to revenue recognition, specifically in regards to straight-lining revenue over the life of the lease. Previously, contingent income earned during a lease was recognised as incurred and the straight-line calculation adjusted to include that contingent income until lease end. The Group's accounting policy now excludes any contingent income for straight-line purposes as it is not determinable at the beginning of the lease. This increases the predictability of the calculation, therefore increasing the relevance and reliability of the figure for users of the accounts.

The impact of this accounting policy change is nil for the Profit for the Year as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income both in the current period and the prior corresponding period.

The impact of this accounting policy change is nil for Net Assets as per the Consolidated Statement of Financial Position as at 31 December 2015 and 30 June 2015.



## SECTION 2: Results for the half year

### in this section ...

This section focuses on the results and performance of the Group on a segmented basis.

### 2.1 Segmental 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
<b>Statement of profit or loss and other comprehensive income for the half year to 31 December 2015</b>			
Revenue, excluding straight line lease adjustment	47,228	53,194	100,422
Property expenses	(6,167)	(6,862)	(13,029)
<b>Net Property Income Segment results</b>	41,061	46,332	87,393
Net changes in fair value of investment properties	52,630	10,577	63,207
<b>Segment results</b>	93,691	56,909	150,600
Income not assigned to segments			315
Expenses not assigned to segments			(24,878)
<b>Net profit before income tax</b>			126,037
<b>Statement of profit or loss and other comprehensive income for the half year to 31 December 2014</b>			
Revenue, excluding straight line lease adjustment	46,352	51,725	98,077
Property expenses	(5,632)	(7,091)	(12,723)
<b>Net Property Income Segment results</b>	40,720	44,634	85,354
Net changes in fair value of investment properties	37,829	53,744	91,573
<b>Segment results</b>	78,549	98,378	176,927
Income not assigned to segments			675
Expenses not assigned to segments			(35,596)
<b>Net profit before income tax</b>			142,006

Property values are also reported by segment and this information is reported in note 3.1.

## SECTION 3: Operating assets and liabilities

### in this section ...

This sections shows the assets used to generate the Group's trading performance and the liabilities incurred as a result. Liabilities relating to the Group's financing activities are addressed in Section 4.

On the following pages there are sections covering working capital, non-current assets, acquisitions and disposals, other payables due after more than one year and provisions.

### 3.1 Investment property

#### Determination of fair value

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

In the absence of current prices in an active market, the valuations are prepared by considering the net present value of the estimated cash flows expected from ownership of the property, a discounted cash flow valuation. A *discount rate* or target internal rate of return that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

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

#### Investment Property Value

				Latest External Valuation		Consolidated Book Value	
Industrial Properties				Date	Valuation	31-Dec-15	30-Jun-15
					\$'000	\$'000	\$'000
Victoria							
28 Bilston Drive	Wodonga	VIC	31-Dec-15	72,500	72,500	80,500	
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-15	76,700	75,200	76,700	
522-550 Wellington Road	Mulgrave	VIC	31-Dec-15	63,000	63,000	60,700	
40 Annandale Road	Melbourne Airport	VIC	30-Jun-15	37,100	35,700	37,100	
1500 Ferntree Gully Road & 8 Henderson Road	Knoxfield	VIC	19-Feb-15	36,550	37,300	36,550	
9-11 Drake Boulevard	Altona	VIC	31-Dec-15	30,900	30,900	29,600	
213-215 Robinsons Road	Ravenhall	VIC	30-Jun-15	26,400	27,250	26,400	
130 Sharps Road	Melbourne Airport	VIC	31-Dec-15	21,500	21,500	24,800	
101-103 William Angliss Drive	Laverton North	VIC	31-Dec-15	28,000	28,000	24,100	
Lots 2-4, 44-54 Raglan St	Preston	VIC	31-Dec-15	21,650	21,650	21,400	
120-132 Atlantic Drive	Keysborough	VIC	31-Dec-15	22,350	22,350	21,000	
365 Fitzgerald Road	Derrimut	VIC	30-Jun-15	17,400	18,000	17,400	
120 Link Road	Melbourne Airport	VIC	31-Dec-15	14,000	14,000	17,350	
20 Southern Court Road	Keysborough	VIC	30-Jun-15	13,400	13,900	13,400	
60 Annandale Road	Melbourne Airport	VIC	30-Jun-15	12,600	12,500	12,600	
6 Kingston Park Court	Knoxfield	VIC	19-Feb-15	11,100	11,450	11,100	
3 Millennium Court	Knoxfield	VIC	31-Dec-15	10,450	10,450	9,250	
31 Garden Street	Kilsyth	VIC	31-Dec-15	9,600	9,600	9,100	
45-55 South Centre Road	Melbourne Airport	VIC	31-Dec-15	8,550	8,550	8,300	
19 Southern Court Road	Keysborough	VIC	30-Jun-15	7,825	8,000	7,825	
75 Annandale Road	Melbourne Airport	VIC	30-Jun-15	6,900	7,200	6,900	

### Section 3: Operating assets and liabilities (cont.)

#### 3.1 Investment property (cont.)

##### Investment Property Value (cont.)

					Latest External Valuation	Consolidated Book Value		
Industrial Properties					Date	Valuation	31-Dec-15	30-Jun-15
						\$'000	\$'000	\$'000
Queensland								
70 Distribution Street	Larapinta	QLD	31-Dec-15	198,500		198,500		193,500
13 Business Street	Yatala	QLD	31-Dec-15	14,850		14,850		15,050
29 Business Street	Yatala	QLD	30-Jun-15	11,900		11,000		11,900
670 Macarthur Avenue	Pinkenba	QLD	30-Jun-15	8,800		9,750		8,800
5 Viola Place	Brisbane Airport	QLD	30-Jun-15	8,500		8,500		8,500
10 Gassman Avenue	Yatala	QLD	30-Jun-15	5,000		4,650		5,000
3 Viola Place	Brisbane Airport	QLD	31-Dec-15	1,950		1,950		2,500
Western Australia								
20 Colquhoun Road	Perth Airport	WA	31-Dec-15	141,000		141,000		134,000
New South Wales								
27-49 Lenore Drive	Erskine Park	NSW	30-Jun-15	58,250		60,000		58,250
6-7 John Morphett Place	Erskine Park	NSW	31-Dec-15	44,500		44,500		42,500
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-15	29,500		29,500		28,000
34 Reddalls Road	Kembla Grange	NSW	10-Sep-15	20,317		20,317		–
81 Derby Street	Silverwater	NSW	31-Dec-15	15,500		15,500		14,600
South Australia								
599 Main North Road	Gepps Cross	SA	31-Dec-15	70,000		70,000		68,500
1-3 Pope Court	Beverley	SA	30-Jun-15	20,816		20,816		–
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-15	14,100		14,100		14,200
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-15	8,600		8,600		8,500
Total Industrial Properties						1,220,558	1,222,533	1,165,875

					Latest External Valuation	Consolidated Book Value		
Office Properties					Date	Valuation	31-Dec-15	30-Jun-15
						\$'000	\$'000	\$'000
Victoria								
Building 2, 572-576 Swan Street			Richmond	VIC	30-Jun-15	78,500	79,200	78,500
Building B, 211 Wellington Road (i)			Mulgrave	VIC	31-Dec-15	66,600	66,600	34,015
Building 1&3, 572-576 Swan Street			Richmond	VIC	30-Jun-15	54,850	55,400	54,850
Building C, 211 Wellington Road (ii)			Mulgrave	VIC	30-Sep-15	50,875	7,000	—
Car Park, 572-576 Swan Street			Richmond	VIC	30-Jun-15	1,200	1,200	1,200
Queensland								
1231-1241 Sandgate Road			Nundah	QLD	31-Dec-15	99,000	99,000	93,200
333 Ann Street			Brisbane	QLD	30-Jun-15	91,000	92,500	91,000
CB1, 22 Cordelia Street			South Brisbane	QLD	31-Dec-15	88,750	88,750	83,000
A1, 32 Cordelia Street			South Brisbane	QLD	31-Dec-15	71,000	71,000	65,250
A4, 52 Merivale Street			South Brisbane	QLD	31-Dec-15	67,500	67,500	58,500
CB2, 42 Merivale Street			South Brisbane	QLD	31-Dec-15	52,250	52,250	48,300
Car Park, 32 Cordelia Street & 52 Merivale Street			South Brisbane	QLD	31-Dec-15	18,000	18,000	14,650

## Section 3: Operating assets and liabilities (cont.)

### 3.1 Investment property (cont.)

#### Investment Property Value (cont.)

					Latest External Valuation	Consolidated Book Value	
					Date	Valuation	
Office Properties							
						\$'000	\$'000
							31-Dec-15
							30-Jun-15
						\$'000	\$'000
<b>South Australia</b>							
World Park, 33-39 Richmond Road	Keswick	SA	30-Jun-15	61,000		<b>61,000</b>	61,000
7 Laffer Drive	Bedford Park	SA	30-Jun-15	16,700		<b>16,000</b>	16,700
<b>New South Wales</b>							
1 Charles Street	Parramatta	NSW	31-Dec-15	277,500		<b>277,500</b>	261,500
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-15	108,500		<b>108,500</b>	103,500
<b>Tasmania</b>							
89 Cambridge Park Drive	Cambridge	TAS	31-Dec-15	27,000		<b>27,000</b>	27,800
<b>Australian Capital Territory</b>							
10-12 Mort Street	Canberra	ACT	30-Jun-15	85,000		<b>86,700</b>	85,000
255 London Circuit	Canberra	ACT	31-Oct-15	70,025		<b>70,025</b>	–
<b>Total Office Properties</b>						1,385,250	1,177,965
<b>Sub-totals</b>						2,605,808	2,343,840
<b>Less:</b> Non-current trade receivables (rental income recognised on a straight line basis)							(51,129)
<b>Total investment properties</b>							2,292,711

(i) This property was still under development as at 30 June 2015 and the value as at that date represents the fair value less cost to complete.

(ii) This property is a development fund through (see Contractual Obligations section below). The external valuation is "as complete" whereas the current book value is at fair value less cost to complete.

#### Valuation basis

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

External valuations were conducted by Jones Lang LaSalle, Savills, m3property, Urbis, **CBRE** and Knight Frank. The fair value of properties not externally valued as at 31 December 2015 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 and valuation 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.



## Section 3: Operating assets and liabilities (cont.)

### 3.1 Investment property (cont.)

#### Valuation basis (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 industrial properties:

	Dec-15	Jun-15
Discount rate	7.8% - 9.8%	8.0% - 10.0%
Terminal yield	6.8% - 11.3%	6.8% - 11.5%
Capitalisation rate	6.3% - 9.8%	6.5% - 9.8%
Expected vacancy period	6-12 months	3-12 months
Rental growth rate	2.5% - 5.0%	2.5% - 5.0%

For the office portfolio the following ranges were used:

	Dec-15	Jun-15
Discount rate	7.3% - 10.0%	8.0% - 10.3%
Terminal yield	6.3% - 10.0%	7.3% - 11.8%
Capitalisation rate	6.3% - 12.0%	6.8% - 12.0%
Expected vacancy period	6-12 months	6-12 months
Rental growth rate	3.0% - 4.5%	3.1% - 4.5%

#### Commentary on Discount Rates

	Dec-15	Jun-15
Average 10 year discount rate used to value the Group's properties	8.16%	8.50%
10 year bond rate	2.88%	3.00%
<b>Implied property risk premium</b>	<b>5.28%</b>	<b>5.50%</b>

As the above table shows, over the 6 months to 31 December 2015, the weighted average discount rate utilised in the valuation of the Group's property portfolio has tightened (lowered) by approximately 34 basis points. Over this same period the implied property risk premium has decreased by approximately 22 basis points. The implied property risk premium is the difference between the weighted average discount rate and the 10 year Australian Government bond rate. The decrease in the implied property risk premium is driven by the tightening of the Group's weighted average discount rate, which outweighed the reduction in the bond rate of 12 basis points from June 2015.

#### Commentary on Capitalisation Rates

##### Industrial

The industrial property sector has experienced continued strong investment interest, as domestic and foreign institutional investors compete for prime and some more secondary quality stock, especially where portfolio opportunities have presented. Over the past 3 years prime yields have been progressively firming towards levels recorded during the peak market preceding the Global Financial Crisis. On balance, the weighted average capitalisation rate used to value the Group's industrial portfolio remained stable at 7.3% over the 6 months to 31 December 2015.

##### Office

Investment activity remains robust within the commercial property market from both domestic and international institutional investors, predominantly for A-grade office assets. This has led to another firming of yields, following on the progressive firming of yields over the past 3 years. However, in contrast to the buoyant investment metrics, office leasing conditions remain challenging. Following some new leasing deals and lease extensions to existing tenants and a further improved investment market, the weighted average capitalisation rate used in valuing the office portfolio has firmed from 7.3% to 6.8% over the 6 months to 31 December 2015.

## Section 3: Operating assets and liabilities (cont.)

### 3.1 Investment property (cont.)

#### Uncertainty around property valuations

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

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

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

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

Refer to Note 4.2 for further information on the categorisation of investment property with regards to the fair value hierarchy.

#### Contractual obligations

At 31 December 2015, the following contractual obligations relating to expansions at existing investment properties are in place:

- Under an expansion clause in the current lease the tenant at 5 Viola Place, Brisbane Airport, Queensland can request a 6,250 square metre expansion at any point during the term (which currently expires on 30 June 2017). The Group would be responsible for funding this expansion. Upon completion of the expansion works the lease would be re-set so that at least seven years remained and rent would be charged on the additional net lettable area constructed under the expansion clause.
- Under an expansion clause in the current lease the tenant at 101-103 William Angliss Drive, Laverton North, Victoria can request a 3,000 square metre expansion within the first two years of the lease (this expansion clause expires on 15 April 2016). The Group would be responsible for funding this expansion. Upon completion of the expansion works a new 15 year lease would commence and rent would be charged on the additional net lettable area constructed under the expansion clause.
- Under an expansion clause in the current lease the tenant at 120-132 Atlantic Drive, Keysborough, Victoria can request a 3,000 square metre expansion at any point during the term (which currently expires on 20 December 2028). The Group would be responsible for funding this expansion. Upon completion of the expansion works the lease would be re-set so that at least seven years remained and rent would be charged on the additional net lettable area constructed under the expansion clause.

The three property expansions detailed above have an estimated aggregate cost of not more than \$15.0 million.

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

The Group has entered into a contract and other documents to acquire Building C, 211 Wellington Road, Mulgrave, Victoria on a fund through basis. Practical completion of this office building is expected to be in late 2016. A further \$43.9 million is payable under the fund through agreement for this property.

The Group entered in a contract to purchase 255 London Circuit, Canberra, Australian Capital Territory which had not completed on 31 December 2015. This property has therefore been included with the investment property portfolio at cost. A corresponding entry for \$66.5 million (being the purchase price less deposit paid) is included in "trade and other payables" within the Statement of Financial Position. This acquisition has now completed as noted in Note 5.2.

### Section 3: Operating assets and liabilities (cont.)

#### 3.1 Investment property (cont.)

##### Reconciliation of value of investment property

	Six months to 31-Dec-15	Six months to 30-Jun-15
	\$'000	\$'000
<b>At fair value</b>		
Opening balance	2,292,711	2,119,980
Acquisitions	155,214	87,763
Capital expenditure	3,258	6,286
Disposals (including straight line receivable reversal)	–	(8,233)
Net gain/(loss) on disposals	–	113
Net gain/(loss) from fair value adjustment	63,207	86,802
<b>Closing balance</b>	<b>2,514,390</b>	<b>2,292,711</b>

#### 3.2 Trade and other receivables

##### Determination of fair value

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

Trade and other receivables can be analysed as follows:

	31-Dec-15	30-Jun-15
	\$'000	\$'000
Rent receivables	7,464	3,788
GST receivable	–	533
Prepayments	6,930	4,913
Unamortised tenant incentives	27,460	26,404
	<b>41,854</b>	<b>35,638</b>

##### Impaired rent receivables

As at 31 December 2015, no rent receivables of the Group were impaired (June 2015: nil impairment).

##### Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

	31-Dec-15	30-Jun-15
	\$'000	\$'000
Non-current		
Rent receivables	53,268	51,129
	<b>53,268</b>	<b>51,129</b>

Rent receivables represent the non-current portion of straight-line rental income receivable.

**Section 3: Operating assets and liabilities (cont.)****3.3 Trade and other payables**

Trade and other payables can be analysed as follows:

	<b>31-Dec-15</b>	30-Jun-15
	\$'000	\$'000
Trade payables	1,579	664
Non-trade payables	492	464
GST payable	1,264	–
Accrued expenses - other	14,503	14,449
Prepaid rent	18,385	12,714
Settlement of contracts to acquire investment properties	70,155	–
	<b>106,378</b>	28,291



## SECTION 4: Capital structure and financing costs

### in this section ...

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

#### 4.1 Interest bearing liabilities

The table below summarises the movements in the Group's interest bearing liabilities during the six months to 31 December 2015.

	Opening balance 1 July 2015	Movement during period	Closing balance 31 Dec 2015	Facility limit	Maturity
	\$'000	\$'000	\$'000	\$'000	
<b>Secured loans</b>					
<i>Syndicated bank facility</i>					
- Tranche A	255,000	–	<b>255,000</b>	255,000	Dec-17
- Tranche B	255,000	(58,280)	<b>196,720</b>	255,000	Dec-18
- Tranche C	86,826	(86,826)	<b>–</b>	245,000	Dec-19
- Tranche D	–	–	<b>–</b>	70,000	Dec-19
- Tranche E	100,000	–	<b>100,000</b>	100,000	Jun-19
<i>Loan Note 1</i>	200,000	–	<b>200,000</b>	200,000	Mar-25
<i>Loan Note 2</i>	–	100,000	<b>100,000</b>	100,000	Dec-22
<i>Loan Note 3</i>	–	60,000	<b>60,000</b>	60,000	Dec-22
<i>Facility 1</i>	–	90,000	<b>90,000</b>	90,000	Dec-22
<b>Total loans</b>	896,826	104,894	<b>1,001,720</b>	1,375,000	
Less unamortised upfront costs	(6,381)	(31)	<b>(6,412)</b>		
<b>Total interest bearing liabilities</b>	890,445	104,863	<b>995,308</b>		

The weighted average interest rate (including bank margin and amortisation of upfront fees paid) at 31 December 2015 was 4.53% per annum (30 June 2015: 4.76% per annum). Refer to note 4.2 for details on interest rate swaps.

#### 4.2 Derivative financial instruments

##### Determination of fair value

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.

##### Derivative financial instruments

Derivative financial instruments can be analysed as follows:

	31-Dec-15	30-Jun-15
	\$'000	\$'000
Interest rate swap contracts – carried at fair value through profit and loss:		
Total current derivative financial instrument liabilities	–	–
Total non-current derivative financial instrument liabilities	<b>10,016</b>	20,000
	<b>10,016</b>	20,000

## SECTION 4: Capital structure and financing costs (cont.)

### 4.2 Derivative financial instruments (cont.)

#### Derivative financial instruments (cont.)

##### *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 gain or loss from re-measuring the interest rate swaps at fair value is recognised in the statement of profit or loss and other comprehensive income immediately.

##### *Interest rate swap contracts ("swaps") – carried at fair value through profit and loss*

Swaps in effect at 31 December 2015 covered 36% (30 June 15: 53%) of the loan principal outstanding. With total fixed interest rate debt of \$450 million outstanding, the total fixed interest rate coverage of outstanding principle is 81% (30 June 15: 75%).

The average fixed interest rate of swaps at 31 December 2015 was 3.06% per annum (30 June 15: 3.70% per annum) and the variable interest rate (excluding bank margin) is 2.11% per annum (30 June 15: 2.10% per annum) at balance date. See table below for further details of swaps in effect at 31 December 2015:

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	\$'000		% p.a.	Years
ANZ	50,000	Jul-2018	3.20%	2.5
Westpac	50,000	Jan-2019	3.57%	3.1
ANZ	50,000	Jan-2019	3.55%	3.1
NAB	60,000	Nov-2019	3.70%	3.8
NAB	25,000	Jun-2020	2.36%	4.5
CBA	25,000	Jun-2020	2.36%	4.5
ANZ	50,000	Dec-2020	2.42%	5.0
Westpac	50,000	Jun-2021	2.48%	5.5
<b>Total / Weighted average</b>	<b>360,000</b>		<b>3.06%</b>	<b>3.9</b>

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

At balance date these swap contracts were liabilities with a fair value of \$10,016,000 (30 June 15: liabilities of \$20,000,000) for the Group. In the period ended 31 December 2015 there was a gain from the increase in fair value of \$9,984,000 for the Group (2014: loss of \$10,282,000).

##### *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
	\$'000	\$'000	\$'000	\$'000
<b>31 December 2015</b>				
Derivative financial liabilities	–	10,016	–	<b>10,016</b>
	–	10,016	–	<b>10,016</b>
<b>30 June 2015</b>				
Derivative financial liabilities	–	20,000	–	<b>20,000</b>
	–	20,000	–	<b>20,000</b>

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

## SECTION 4: Capital structure and financing costs (cont.)

### 4.3 Contributed Equity and reserves

#### Contributed Equity

Contributed equity can be analysed as follows:

	Six months to 31-Dec-15	Six months to 31-Dec-15	Six months to 31-Dec-14	Six months to 31-Dec-14
	No. ('000)	\$'000	No. ('000)	\$'000
Opening balance at 1 July	569,028	1,376,011	540,115	1,303,009
Issues of ordinary stapled securities during the half-year:				
Distribution reinvestment plan	–	–	14,201	34,366
Securities issued under Employee Incentive Plans	307	–	287	–
Cost of raising capital	–	–	–	(707)
	307	–	14,488	33,659
Closing balance at 31 December	569,335	1,376,011	554,603	1,336,668

#### Distribution reinvestment plan

The Distribution Reinvestment Plan was operative for the distribution the Group has declared for the six months ended 31 December 2015.

The price for securities to be issued under the DRP in respect of the distribution payable for the six months ended 31 December 2015 will be established by applying a 2% discount to the 10-day volume weighted market price for the Group's securities from 5 January 2016 (the second trading day following the record date) rounded down to the nearest cent. New securities issued under the DRP will rank equally with all other securities including a full entitlement to all future distributions and are expected to be issued on or about 29 February 2016.

### 4.4 Distributions

Period for distribution	Total distribution	Total stapled securities	Distributions per stapled security
	\$'000	('000)	(cents)
Half year to 31 December 2015	58,072	569,335	10.20
Half year to 31 December 2014	54,351	554,603	9.80

### 4.5 Share based payment arrangements

#### Determination of fair values

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

#### Share-based payment arrangements

At 31 December 2015 the Group has the following share based payment arrangements:

##### Employee Incentive Plans FY12, FY13, FY14, FY15 and FY16

The Group has introduced employee incentive plans for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the long term goals and performance of the Group and 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 page 63 (in the remuneration report section of the directors' report) in the 2015 Annual Report.

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

## SECTION 4: Capital structure and financing costs (cont.)

### 4.5 Share based payment arrangements (cont.)

#### Share-based payment arrangements (cont.)

##### *Employee Incentive Plans FY12, FY13, FY14, FY15 and FY16 (cont.)*

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

1. to the vesting date of the first tranche of each plan for plans after FY13, or
2. each vesting date for the FY13 plan and prior.

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.

During the period, the first tranche of the FY15 and second tranche of the FY14 Employee Incentive Plan performance rights were determined with the results shown on the table below:

Plan identification	Plan participants	Tranche	Cost
			\$
FY15 Plan	Director	1	127,097
FY15 Plan	Employees	1	264,753
FY14 Plan	Director	2	126,226
FY14 Plan	Employees	2	123,568

The first tranche of the FY15 Employee Incentive Plan performance rights vested during the year.

The fair value of performance rights under the FY16 Employee Incentive Plan was determined on the grant date of those rights and then "trued-up" at 31 December 2015 where allowed. The fair value of these rights for directors is estimated as \$530,400 and for other employees \$636,514. This estimate is based on achieving 78.0% of the maximum payable under the FY16 plan. This is seen as a reasonable estimate for fair value as it is based on the percentage achieved for comparable elements in the FY15 plan which were then adjusted for information available on likely achievement as at 31 December 2015. The actual costs of performance rights cannot be determined until FY17 and the first issue of securities under the FY16 plan will not occur until FY17.

During the period, \$575,940 was recognised in the share based payments reserve (Dec 14: \$561,167). This represents the amounts recognised under the four plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date.

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

The table below outlines the value of performance rights granted during the period to 31 December 2015, where those values can be determined. It also outlines the value of performance rights that were issue as Stapled Securities in the Group.

Plan identification	Plan participants	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during the period
			\$	No.	\$	%
FY15 Plan	Director	26/11/2015	127,097	40,736	N/A	25%
FY15 Plan	Employees	9/10/2015	264,753	84,858	N/A	25%
FY14 Plan	Director	9/10/2015	126,226	40,457	N/A	25%
FY14 Plan	Employees	9/10/2015	123,568	39,605	N/A	25%
FY13 Plan	Director	9/10/2015	138,040	44,244	138,040	25%
FY13 Plan	Employees	9/10/2015	122,538	39,276	122,538	25%
FY12 Plan	Director	9/10/2015	98,791	31,664	–	25%
FY12 Plan	Employees	9/10/2015	83,389	26,727	–	25%



## SECTION 5: Other notes

### 5.1 Related party transactions

#### 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:

Director	Transaction	Half-year 2015	Half-year 2014
		\$	\$
G. Jackson (i)	Valuation	19,500	13,200

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value 4 properties (2014: 3). 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. At balance date \$19,500 remained payable (2014: \$13,200)

The Group also uses the services of National Australia Bank of which Geoff Tomlinson was a director during the prior period (he retired as a director on 18 December 2014). Services included transactional banking, lending, provision of interest rate swaps and provision of life insurance. These services were provided on a commercial, arm's length basis and all services were being used prior to Geoff Tomlinson joining the Board. Mr Tomlinson had no involvement in the engagement or day to day administration of these services.

#### 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:

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 31 December
	No.	No.	No.	No.	No.
G. Jackson	139,807	—	—	—	139,807
N. Sasse	1,249,950	—	—	—	1,249,950
E. de Klerk	1,308,721	—	—	—	1,308,721
T. Collyer	468,511	157,101	—	—	625,612
F. Marais	129,896	—	—	—	129,896
A. Hockly	68,434	35,482	—	—	103,916
D. Andrews	87,990	32,861	—	—	120,851
M. Green	86,525	32,399	—	(86,525)	32,399
G. Tomlinson	57,323	—	—	—	57,323
M. Brenner	7,000	—	—	—	7,000

During the period to 31 December 2015, a total of 257,843 stapled securities with a total value of \$804,465 were issued to key management personnel upon vesting of Performance Rights under Employee Incentive Plans.

## **SECTION 5: Other notes (cont.)**

### **5.2 Subsequent events**

On 19 January 2016, the Group announced that the issue price for securities to be issued under the DRP for the distribution to be paid on or around 29 February 2016 will be \$2.91 per stapled security.

Approximately 73.6% of Growthpoint's distribution payable on or around 29 February 2016 will be issued new stapled securities under the DRP raising \$40.1 million for the issue of 13.8 million new stapled securities after deduction of withholding tax. Total stapled securities on issue following the DRP will be approximately 583.1 million.

The purchase of 255 London Circuit, Canberra, ACT was completed on 22 January 2016, with payment of the full price under the contract of sale.

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

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## Directors' declaration

In the opinion of the Directors:

- (a) the attached Financial Statements and notes set out on pages 24 to 43 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 2015 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.



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

Melbourne, 22 February 2016

## Auditor's independence declaration



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2015 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.

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A handwritten signature in blue ink, appearing to read 'Dean M Waters'.

Dean M Waters  
*Partner*

Melbourne

22 February 2016



## 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 2015, 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 5 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 Australia 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 2015 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 an 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.

#### *Independence*

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

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*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 2015 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

A handwritten signature in blue ink, appearing to read 'Dean M Waters'.

Dean M Waters  
*Partner*

Melbourne

22 February 2016

## About Growthpoint South Africa<sup>1</sup>

Growthpoint Properties Limited of South Africa ("GRT") owns 65% of the securities of Growthpoint (at 31 December 2015) and is its major Security holder.

**GRT is the largest listed South African and emerging market REIT**



The Place, Sandton, South Africa



The Place, Sandton, South Africa

### Other information about GRT

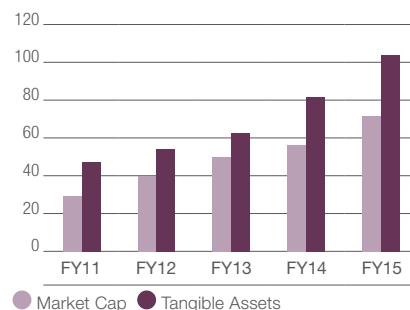
- The largest listed South African REIT
- Included in the *JSE* Top 40 Index
- Top ten constituent of FTSE EPRA / NAREIT Emerging Index
- Included in the JSE Socially Responsible Investment (SRI) Index
- Underpinned by high-quality, physical property assets, diversified across sectors (Retail, Office and Industrial)
- Consistent record of growth and creating value for investors with 7.4% compound average annual growth in distributions over the past 5 years
- Sustainable quality of earnings that can be projected with a high degree of accuracy
- Well capitalised and conservatively geared
- Good corporate governance with transparent reporting
- Proven management track record
- Recipient of multiple sustainability, governance and reporting awards
- Baa2 global scale rating from Moody's

### Growthpoint represents:

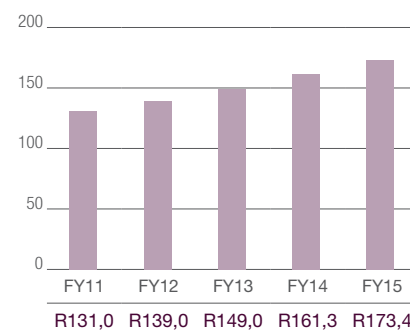
- 21.9% of GRT's gross property assets
- 25.0% of GRT's net property income
- 15.5% of GRT's total distributable income

### Growth in tangible assets and market capitalisation (Rbn)

As at 31 December



### Growth in distributions per share (c)



### Key Facts

Listing	GRT is listed on the Johannesburg Stock Exchange (JSE)
Ranking on the JSE	32nd by market capitalisation as of 31 December 2015
Exchange rate used	AUD:ZAR=9.4
Market capitalisation	<b>R71,7B / AUD7.6B</b>
Gross assets	R106,4B / AUD11.3B
Net assets	R68,1B / AUD7.3B
Gearing (SA only)	32.1%
Distributable Income	R4,2B / AUD446.8m
ICR (SA only)	3.4 times
No. of employees (SA only)	700
Properties	472 properties in South Africa, including 50% ownership of the prestigious V&A Waterfront

1. All information supplied by GRT (figures as at 30 June 2015).

## Securityholder Information

### Top 20 Legal Securityholders as at 31 December 2015

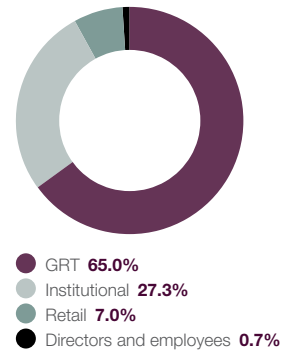
Rank	Name	No. of Securities	% of Securities
1.	Growthpoint Properties Limited	369,703,413	64.94
2.	HSBC Custody Nominees (Australia) Limited	40,935,865	7.19
3.	J P Morgan Nominees Australia Limited	27,302,657	4.80
4.	Emira Property Fund	27,225,813	4.78
5.	Citicorp Nominees Pty Limited	23,937,386	4.20
6.	National Nominees Limited	11,819,607	2.08
7.	BNP Paribas Noms Pty Ltd <DRP>	8,476,320	1.49
8.	RBC Investor Services Australia Nominees Pty Limited <DRP A/C>	5,759,713	1.01
9.	Warbont Nominees Pty Ltd	2,469,601	0.43
10.	Sharon Investments Pty Ltd	2,252,000	0.40
11.	Rabinov Holdings Pty Ltd	2,189,990	0.38
12.	BNP Paribas Nominees Pty Ltd <Agency Lending Collateral>	1,600,000	0.28
13.	Citicorp Nominees Pty Limited <Colonial First State Inv A/C>	1,349,703	0.24
14.	BNP Paribas Nominees Pty Ltd <Agency Lending DRP A/C>	1,255,568	0.22
15.	HSBC Custody Nominees (Australia) Limited - A/C 3	924,803	0.16
16.	BNP Paribas Noms (NZ) Ltd <DRP>	916,368	0.16
17.	Mr Max Karl Koep	665,000	0.12
18.	Mr Timothy James Collyer	625,612	0.11
19.	HSBC Custody Nominees (Australia) Limited - GSCO ECA	608,043	0.11
20.	Bond Street Custodians Limited	579,533	0.10
<b>Total Top 20 legal holders of fully paid stapled securities</b>		<b>530,596,995</b>	<b>93.20</b>
<b>Total Remaining Holders Balance</b>		<b>38,737,617</b>	<b>6.80</b>

### Distribution of Securityholders as at 31 December 2015

Range	Total holders	Securities	% of Issued Capital
1 - 1,000	742	364,137	0.06
1,001 - 5,000	1,387	3,857,490	0.68
5,001 - 10,000	542	4,039,133	0.71
10,001 - 100,000	686	18,190,392	3.20
100,001 - 9,999,999,999	76	542,883,460	95.35
<b>Total</b>	<b>3,433</b>	<b>569,334,612</b>	<b>100.00</b>

As at 31 December 2015, there were 569,334,612 fully-paid stapled securities held by 3,433 individual Securityholders.

### Growthpoint Securityholders\* As at 31 December 2015



### Location of Growthpoint Securityholders\* As at 31 December 2015



\* Figures are approximate and based on beneficial ownership.



## Glossary

\$ or dollar	refers to Australian currency unless otherwise indicated
AFSL	Australian Financial Services Licence
A-REIT	Australian Real Estate Investment Trust
ASX	Australian Securities Exchange
B	billion
Board	the board of directors of the Company
Cap rate or capitalisation rate	refers to the market income produced by an asset divided by its value or cost
CBD	central business district
CBRE	an international professional services and investment management firm formerly known as CB Richard Ellis
Company or responsible entity	Growthpoint Properties Australia Limited
cps	cents per security
CY14, CY15	the calendar year ended 31 December in the year listed i.e. "CY15" means the calendar year ended 31 December 2015
discount rate	the interest rate used in a discounted cash flow (DCF) analysis to determine the net present value of an asset's future cash flows
distributions	the amount Securityholders receive by way of income in their hand (before any tax or brokerage costs). It is similar to a dividend by a company but it is payable by the Trust
distributable income	refer to explanation at the top of page 10
dps	distribution per security
fund-through	a mechanism under which an entity (in this report typically Growthpoint) funds development as completion of works occur
FY11, FY12, FY13, FY14 and FY15	the 12 months ended on 30 June in the year listed i.e. "FY15" means the 12 months ended 30 June 2015
FY16, FY17, FY18, FY19 and FY20	the 12 months ending on 30 June in the year listed i.e. "FY16" means the 12 months ending 30 June 2016
HY11, HY12, HY13, HY14, HY15 and HY16	the six months ended on 31 December in the prior calendar year listed i.e. "HY16" means the six months ended 31 December 2015
HY17, HY18, HY19 and HY20	the six months ending on 31 December in the prior calendar year listed i.e. "HY17" means the six months ending 31 December 2016
ICR	Interest coverage ratio
Gearing	interest bearing liabilities divided by total assets
GOZ	the ASX trading code that Growthpoint trades under.
Green Star	an internationally recognised sustainability rating system issued by the Green Building Council in Australia
gross assets	the total value of assets
Growthpoint or the Group	Growthpoint Properties Australia comprising the Company, the Trust and their controlled entities
Growthpoint SA or GRT	Growthpoint Properties Limited of South Africa (Growthpoint's majority Securityholder) which trades on the JSE under the code "GRT"
IFRS	International Financial Reporting Standards
JLL	the Australian arm of Jones Lang LaSalle, an international professional services and investment management firm
JSE	Johannesburg Stock Exchange
m	million
MER	management expense ratio comprising all the Group's costs other than interest divided by the average gross assets for the year
REIT	real estate investment trust
NABERS	National Australian Built Environment Rating System (a national system for measuring environmental performance of buildings)
NPI	net property income
NTA	net tangible assets
Securityholder	an owner of Growthpoint securities
S&P	Standard & Poor's
sqm	square metres
sustainability	a process for ensuring activities are able to be continued and assets and resources are able to endure for a medium-long-term
Syndicated Facility	syndicated loan facility from CBA, NAB, WBC and ANZ to Growthpoint
Trust	Growthpoint Properties Australia Trust
WARR	weighted average rent review
WALE	weighted average lease expiry

## 2016 Securityholder Calendar\*

### 22 February

- Results for the half year ended 31 December 2015 announced to ASX

### 29 February

- Distribution paid for the half year ended 31 December 2015

### 1 March

- Half year report sent to Securityholders

### 22 August

- Results for the year ended 30 June 2016 announced to ASX

### 31 August

- Distribution paid for the half year ended 30 June 2016
- Annual Tax Statement for year ended 30 June 2016 mailed
- FY16 Annual Report sent to Securityholders

### 24 November

- Annual General Meeting (webcast available for Securityholders unable to attend)

\* Dates indicative and subject to change by the Board.

## Company Directory

### Growthpoint Properties Australia

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

Growthpoint Properties Australia Trust  
ARSN 120 121 002

Level 22, 357 Collins Street,  
Melbourne VIC 3000 Australia

Phone: (03) 8681 2900

Fax: (03) 8681 2910

[www.growthpoint.com.au](http://www.growthpoint.com.au)

Investor Services Line: 1800 260 453

[info@growthpoint.com.au](mailto:info@growthpoint.com.au)

### Share registry

#### Computershare Investor Services

Yarra Falls, 452 Johnston Street,  
Abbotsford VIC 3067 Australia

Phone (within Australia): 1300 850 505

Phone (outside Australia): +61 3 9415 4000

Fax: +61 3 9473 2500

[www.computershare.com](http://www.computershare.com)

### Auditor

#### KPMG

147 Collins Street,  
Melbourne VIC 3000 Australia

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## 2016 Half Year Report

Growthpoint Properties Australia  
Level 22, 357 Collins Street, Melbourne VIC Australia  
Investor Services Line: 1800 260 453  
[www.growthpoint.com.au](http://www.growthpoint.com.au)

**GROWTH-POINT**  
PROPERTIES

