Notes to the Financial Statements

Section 1: Basis of preparation

in this section ...

This section sets out the Group's accounting policies that relate to the financial statements as a whole. Where an accounting policy is specific to one note, the policy is described in the note to which it relates. This section also shows relevant new accounting standards, amendments and interpretations, whether these are effective in FY15 or later years. We explain how these changes are expected to impact the financial position and performance of the Group.

Reporting entity

Growthpoint Properties Australia was formed by the stapling of two entities: Growthpoint Properties Australia Limited ("the Company") and Growthpoint Properties Australia Trust 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 in the Trust are identical. The Company, both in its personal capacity and in its capacity as the Responsible Entity of the Trust, must at all times act in the best interests of the Group. The Group is a for profit entity.

The consolidated financial report includes financial statements for Growthpoint Properties Australia, the stapled consolidated Group, which is domiciled in Australia as at, and for the twelve months ended, 30 June 2015. The Group's registered address is Level 22, 357 Collins Street, Melbourne, Victoria 3000, Australia.

Statement of compliance

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

The consolidated financial statements were authorised for issue by the Board on 17 August 2015.

Basis of measurement

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

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

Functional and presentation currency

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

The Group is of a kind referred to in ASIC 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.

Use of estimates, assumptions and judgements

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

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

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

- Note 3.1 – Investment properties;
- Note 4.3 – Derivative financial instruments; and
- Note 4.7 – Share-based payment arrangements.

Notes to the Financial Statements

Section 1: Basis of preparation (cont.)

Determination of fair values

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

Accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities. This is also true for accounting policies included in sections 2 – 5 of the report.

Basis of consolidation

Subsidiaries

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

Transaction eliminated on consolidation

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

Financial Instruments

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

Cash and cash equivalents

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

Goods and Services Tax (GST)

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

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

Section 1: Basis of preparation (cont.)

Accounting policies (cont.)

Impairment

Financial assets (including receivables)

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

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the consolidated statement of profit or loss and other comprehensive income and reflected in an allowance account against receivables.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in the consolidated statement of profit or loss and other comprehensive income, then the impairment loss is reversed, with the amount of the reversal recognised in the consolidated statement of profit or loss and other comprehensive income. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Employee benefits

Defined contribution plans

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

Termination benefits

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

Short-term benefits

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

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

Notes to the Financial Statements

Section 1: Basis of preparation (cont.)

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. Those which may be relevant to the Group are set out below. The Group does not plan to adopt these standards early.

IFRS 9 *Financial Instruments*

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

IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 *Revenue from contracts with customers*

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

IFRS 15 is effective for the FY17 annual reporting period for the Group with early adoption permitted. The Group does not plan to early adopt this standard and the extent of the impact on revenue (if any) has not been determined.

Section 2: Results for the year

in this section ...

This section focuses on the results and performance of the Group. On the following pages you will find disclosures explaining the Group's results for the year, segmental information, taxation and earnings per security.

2.1 Profit before tax

Accounting policies

Revenue recognition

Revenue is recognised at the fair value of the consideration received or receivable as detailed below for each category of revenue. All revenue is stated net of the amount of goods and services tax (GST).

Property revenue

Revenue from investment properties is recognised on a straight-line basis over the life of the lease for leases where the revenue under the lease terms is fixed and determinable. For leases where the revenue is determined with reference to market reviews, inflationary measures or other variables, revenue is not straight-lined and is recognised in accordance with the lease terms applicable for the period.

Interest income

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

Segment results

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

Segmental information

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

	Office	Industrial	**Total**
	$'000	$'000	$'000
Statement of comprehensive income for the year to June 2015			
Revenue, excluding straight-line lease adjustment	99,506	97,734	**197,240**
Property expenses	(12,436)	(13,005)	**(25,441)**
Segment results	87,070	84,729	**171,799**
Income not assigned to segments			**164,992**
Expense not assigned to segments			**(53,415)**
Net profit before income tax			**283,376**
Statement of comprehensive income for the year to June 2014			
Revenue, excluding straight-line lease adjustment	76,805	95,478	**172,283**
Property expenses	(11,030)	(12,613)	**(23,643)**
Segment results	65,775	82,865	**148,640**
Income not assigned to segments			**26,937**
Expense not assigned to segments			**(57,932)**
Net profit before income tax			**117,645**

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

Major customer

Revenues from one customer, Woolworths Limited, of the Group's Industrial segment represents $46,172,000 (2014: $45,005,000) of the Group's total revenues.

Notes to the Financial Statements

Section 2: Results for the year (cont.)

2.1 Profit before tax (cont.)

Remuneration of auditors

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

	2015	2014
	$	$
Audit services - KPMG		
Audit and review of financial statements	**131,850**	142,100
Other regulatory audit services	**55,150**	59,440
Non-audit services - KPMG		
Other assurance and due diligence services	-	205,000

2.2 Taxation

Accounting policies

Income Tax

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

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

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

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

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

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

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

Section 2: Results for the year (cont.)

2.2 Taxation (cont.)

Income tax expense

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

Income tax expense:

	2015	2014
	$'000	$'000
Current tax expense	**560**	348
Deferred tax benefit	**(192)**	(76)
Over provision from prior year	**4**	25
	372	297

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

	2015	2014
	$'000	$'000
Profit before income tax expense	**202**	191
Income tax expense using the Company's domestic rate of 30%	**61**	57
Increase in income tax due to:		
Non-deductible expenses	**307**	215
Prior year losses now recognised	**-**	-
Change in unrecognised temporary differences	**-**	-
Over provision of prior year income tax	**4**	25
	372	297
The applicable weighted average effective tax rate for the Company is as follows:	**184%**	156%

Recognised deferred tax assets

Recognised deferred tax assets

	2015	2014
	$'000	$'000
Equity raising costs	**60**	87
Accrued expenses	**53**	137
Employee benefits	**349**	23
Prepayments	**37**	50
	499	297

As at 30 June 2015, the Company had franking credits of $737,000 available to it (30 June 2014: $386,000).

Notes to the Financial Statements

Section 2: Results for the year (cont.)

2.2 Taxation (cont.)

Income tax expense (cont.)

Movement in temporary differences during the year

	Opening balance 1 July 2014	Charged to profit and loss	Charged to equity	**Balance 30 June 2015**
	$'000	$'000	$'000	$'000
Non-current assets:				
Equity raising costs	87	(37)	10	**60**
Total	87	(37)	10	**60**
Current liabilities:				
Accrued expenses	137	(84)	-	**53**
Employee benefits	23	326	-	**349**
Prepayments	50	(13)	-	**37**
Total	210	229	-	**439**
Total movement in temporary differences	297	192	10	**499**

	Opening balance 1 July 2013	Charged to profit and loss	Charged to equity	**Balance 30 June 2014**
	$'000	$'000	$'000	$'000
Non-current assets:				
Equity raising costs	125	(85)	47	**87**
Total	125	(85)	47	**87**
Current liabilities:				
Accrued expenses	43	94	-	**137**
Employee benefits	11	12	-	**23**
Prepayments	(5)	55	-	**50**
Total	49	161	-	**210**
Total movement in temporary differences	174	76	47	**297**

2.3 Earnings per stapled security ("EPS")

Accounting policies

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

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

Earnings per stapled security

	2015	2014
Weighted average number of stapled securities on issue for the year	**561,755,958**	456,121,420
Basic & diluted earnings per stapled security - cents	**50.4**	25.7

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. Deferred tax assets and liabilities are shown in Section 2.2.

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

Accounting policies

Investment property

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

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

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

Lease incentives and commissions

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

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

Determination of fair value

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

In the absence of current prices in an active market, the valuations are prepared by considering the 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 with anticipated reversionary increases, 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	**30-Jun-15**	30-Jun-14
				$'000	$'000	$'000
Victoria						
28 Bilston Drive	Wodonga	VIC	30-Jun-15	80,500	**80,500**	75,500
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-15	76,700	**76,700**	69,500
522-550 Wellington Road	Mulgrave	VIC	31-Dec-14	58,800	**60,700**	55,000
40 Annandale Road	Melbourne Airport	VIC	30-Jun-15	37,100	**37,100**	36,600
1500 Ferntree Gully Road & 8 Henderson Road	Knoxfield	VIC	19-Feb-15	36,550	**36,550**	-
9-11 Drake Boulevard	Altona	VIC	31-Dec-14	27,000	**29,600**	25,900

Notes to the Financial Statements

Section 3: Operating assets and liabilities (cont.)

3.1 Investment property (cont.)

Investment Property Value (cont.)

Industrial Properties			Latest External Valuation Date	Valuation	Consolidated Book Value 30-Jun-15	30-Jun-14
				$'000	$'000	$'000
213-215 Robinsons Road	Ravenhall	VIC	30-Jun-15	26,400	**26,400**	24,750
130 Sharps Road	Melbourne Airport	VIC	31-Dec-14	24,000	**24,800**	23,350
101-103 William Angliss Drive	Laverton North	VIC	31-Dec-14	22,000	**24,100**	21,200
Lots 2, 3 & 4, 44-54 Raglan Street	Preston	VIC	31-Dec-14	20,500	**21,400**	19,700
120-132 Atlantic Drive	Keysborough	VIC	31-Dec-14	19,700	**21,000**	17,850
42-44 Garden Street	Kilsyth	VIC	31-Dec-13	18,600	**-**	18,750
365 Fitzgerald Road	Derrimut	VIC	30-Jun-15	17,400	**17,400**	16,100
120 Link Road	Melbourne Airport	VIC	31-Dec-14	17,500	**17,350**	17,400
20 Southern Court	Keysborough	VIC	30-Jun-15	13,400	**13,400**	12,100
60 Annandale Road	Melbourne Airport	VIC	30-Jun-15	12,600	**12,600**	13,000
6 Kingston Park Court	Knoxfield	VIC	19-Feb-15	11,100	**11,100**	-
3 Millennium Court	Knoxfield	VIC	19-Feb-15	9,250	**9,250**	-
31 Garden Street	Kilsyth	VIC	31-Dec-14	8,650	**9,100**	8,500
45-55 South Centre Road	Melbourne Airport	VIC	31-Dec-14	8,750	**8,300**	8,700
19 Southern Court	Keysborough	VIC	30-Jun-15	7,825	**7,825**	7,300
306-318 Abbotts Road	Dandenong South	VIC	31-Dec-14	7,700	**-**	8,000
75 Annandale Road	Melbourne Airport	VIC	30-Jun-15	6,900	**6,900**	6,875
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-14	184,700	**193,500**	173,200
13 Business Street	Yatala	QLD	31-Dec-14	14,800	**15,050**	14,300
29 Business Street	Yatala	QLD	30-Jun-15	11,900	**11,900**	11,900
670 Macarthur Avenue	Pinkenba	QLD	30-Jun-15	8,800	**8,800**	8,600
5 Viola Place	Brisbane Airport	QLD	30-Jun-15	8,500	**8,500**	11,200
10 Gassman Drive	Yatala	QLD	30-Jun-15	5,000	**5,000**	4,950
3 Viola Place	Brisbane Airport	QLD	31-Dec-14	2,400	**2,500**	2,150
Western Australia						
20 Colquhoun Road	Perth Airport	WA	31-Dec-14	129,000	**134,000**	121,000
New South Wales						
27-49 Lenore Drive	Erskine Park	NSW	30-Jun-15	58,250	**58,250**	51,000
6-7 John Morphett Place	Erskine Park	NSW	31-Dec-14	41,500	**42,500**	39,200
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-14	27,000	**28,000**	25,450
81 Derby Street	Silverwater	NSW	31-Dec-14	14,750	**14,600**	13,550
South Australia						
599 Main North Road	Gepps Cross	SA	31-Dec-14	66,700	**68,500**	62,700
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-14	13,900	**14,200**	11,000
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-14	7,800	**8,500**	7,600
Total Industrial Properties				1,163,925	**1,165,875**	1,043,875

Section 3: Operating assets and liabilities (cont.)

3.1 Investment property (cont.)

Investment Property Value (cont.)

Office Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 30-Jun-15	Consolidated Book Value 30-Jun-14
				$'000	$'000	$'000
Victoria						
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-15	78,500	**78,500**	75,000
211 Wellington Road (i)	Mulgrave	VIC	21-Nov-14	62,600	**34,015**	-
Building 1 & 3, 572-576 Swan Street	Richmond	VIC	30-Jun-15	54,850	**54,850**	52,000
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-14	89,000	**93,200**	87,800
333 Ann Street	Brisbane	QLD	30-Jun-15	91,000	**91,000**	95,000
CB1, 22 Cordelia Street	South Brisbane	QLD	30-Jun-15	83,000	**83,000**	69,000
A1, 32 Cordelia Street	South Brisbane	QLD	30-Jun-15	65,250	**65,250**	64,500
A4, 52 Merivale Street	South Brisbane	QLD	31-Dec-14	58,000	**58,500**	57,000
CB2, 42 Merivale Street	South Brisbane	QLD	30-Jun-15	48,300	**48,300**	45,000
Car Park, 32 Cordelia Street & 52 Merivale Street	South Brisbane	QLD	31-Dec-14	14,250	**14,650**	10,400
South Australia						
World Park, 33-39 Richmond Road	Keswick	SA	30-Jun-15	61,000	**61,000**	57,000
7 Laffer Drive (ii)	Bedford Park	SA	30-Jun-15	16,700	**16,700**	-
New South Wales						
1 Charles Street	Parramatta	NSW	31-Dec-14	255,000	**261,500**	241,118
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-14	100,000	**103,500**	92,800
Tasmania						
89 Cambridge Park Drive	Cambridge	TAS	31-Dec-14	27,800	**27,800**	26,700
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-15	85,000	**85,000**	57,500
Total Office Properties				1,191,450	**1,177,965**	1,032,018
Sub-totals				2,355,375	**2,343,840**	2,075,893
Less: Non-current trade receivables (rental income recognised on a straight line basis)					**(61,239)**	(56,458)
Total investment properties					**2,282,601**	2,019,435

(i) 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.

(ii) At 30 June 2014, this property had been transferred to assets available for sale. The proposed transaction did not proceed so the property has been transferred back to investment property.

Notes to the Financial Statements

Section 3: Operating assets and liabilities (cont.)

3.1 Investment property (cont.)

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, Urbis, Knight Frank, CBRE and LandMark White. The fair value of properties not externally valued as at 30 June 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 policy detailed above.

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

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

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

	2015	2014
Discount rate	**8.0% - 10.0%**	9.0% - 10.3%
Terminal yield	**6.8% - 11.5%**	7.5% - 10.3%
Capitalisation rate	**6.5% - 9.8%**	7.3% - 9.8%
Expected vacancy period	**3-12 months**	3-12 months
Rental growth rate	**2.5% - 5.0%**	2.5% - 5.0%

For the office portfolio the following ranges were used:

	2015	2014
Discount rate	**8.0% - 10.3%**	8.5% - 10.5%
Terminal yield	**7.3% - 11.8%**	7.5% - 10.5%
Capitalisation rate	**6.8% - 12.0%**	7.0% - 12.0%
Expected vacancy period	**6-12 months**	6-12 months
Rental growth rate	**3.1% - 4.5%**	3.1% - 4.5%

Commentary on Discount Rates

Date of Valuation	**30-Jun-15**	30-Jun-14
Weighted average 10 year discount rate used to value the Group's properties	**8.50%**	9.15%
10 year bond rate	**3.00%**	3.54%
Implied property risk premium	**5.50%**	5.61%

As the above table shows, over the 12 months to 30 June 2015 discount rates utilised in the valuation of the Group's property portfolio have tightened (lowered) although the spread has remained mostly static. At the reporting date, the weighted average discount rate utilised in valuing the Group's portfolio of property, has decreased by approximately 65 basis points. Over this same period the implied property risk premium has reduced by approximately 11 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 54 basis points from June 2014 following a recovery from the low levels in March 2015.

Section 3: Operating assets and liabilities (cont.)

3.1 Investment property (cont.)

Commentary on Capitalisation Rates

Industrial

There continues to be strong interest in the industrial property sector, as transactions indicate domestic and foreign institutional investors compete for limited prime quality stock and secondary quality stock. This has led to further firming of yields over the past 12 months of 50 to 100 basis points for both ends of the prime yield range and the higher quality end of secondary yields. These transactions have provided good evidence for the Group's own industrial properties which reduced the weighted average *capitalisation rate* used to value the industrial portfolio from 8.0% to 7.3% over the year to 30 June 2015.

Office

Over the past 2 to 3 years, the commercial property market has experienced solid investment activity from both domestic and international institutional investors, predominantly for A-grade office assets, which has led to firmer yields. However, in contrast to the buoyant investment metrics, office leasing conditions remain challenging. Following some new leasing deals, lease extensions to existing tenants and a strong investment market, the weighted average capitalisation rate used in valuing the office portfolio has firmed from 7.8% to 7.3% over the year to 30 June 2015.

Uncertainty around property valuations

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

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

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.

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

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

Contractual obligations

At 30 June 2015, the following contractual obligations relating to expansions at existing investment property are in place:

- Under an expansion clause in the current lease the tenant at 5 Viola Place, Brisbane Airport, Queensland can request a 6,250m^2 expansion at any point during the term (which currently expires on 22 December 2015). The Group would be responsible for funding this expansion. Upon completion the lease would be re-set so that at least seven years remained and rent would be charged on the additional net lettable area constructed under the expansion clause.
- Under an expansion clause in the current lease the tenant at 99-103 William Angliss Drive, Laverton North, Victoria can request a 3,000m^2 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 3,000m^2 expansion at any point during the term (which currently expires on 20 December 2028). The Group would be responsible for funding this expansion. Upon completion the lease would be re-set so that at least seven years remained and rent would be charged on the additional 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 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 211 Wellington Road, Mulgrave, Victoria on a fund through basis. Practical completion of this office building is expected to be in December 2015. A further $28.6 million is payable under the contract of sale of land and the fund through agreement for this property.

Notes to the Financial Statements

Section 3: Operating assets and liabilities (cont.)

3.1 Investment property (cont.)

Amounts recognised in profit and loss for investment properties

	2015	2014
	$'000	$'000
Rental income	197,240	172,283
Straight-line adjustment to rental income	5,316	5,373
Net gain from fair value adjustment	169,832	23,780
Gain on sale of investment properties	363	-
Direct operating expenses from property that generated rental income	(25,441)	(23,643)
	347,310	177,793

Leasing arrangements

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

	2015	2014
	$'000	$'000
Within one year	179,901	177,686
Later than one year but not later than five years	660,164	637,266
Later than five years	498,651	562,695
	1,338,715	1,377,647

10 (2014: 10) of the investment properties are held on a leasehold basis with non-cancellable, long-term operating leases with ground rent payable monthly. The minimum lease payments under these leases are payable as follows:

	2015	2014
	$'000	$'000
Within one year	3,040	2,802
Later than one year but not later than five years	5,242	6,646
Later than five years	-	11
	8,282	9,459

Reconciliation of value of investment property

	2015	2014
	$'000	$'000
At fair value		
Opening balance	2,019,435	1,595,831
Acquisitions	94,989	411,238
Capital expenditure	6,941	6,327
Disposals	(26,700)	-
Net gain on disposals	363	-
Transfer to/(from) available for sale	17,741	(17,741)
Net gain from fair value adjustment	169,832	23,780
Closing balance at 30 June	2,282,601	2,019,435

Section 3: Operating assets and liabilities (cont.)

3.2 Non-current assets available for sale

Accounting policy

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as available for sale. Immediately before classification as available for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value with the exception of investment property which continues to be measured in accordance with accounting policy note 3.1.

At 30 June 2015 there are no properties classed as available for sale. At 30 June 2014, the property at 7 Laffer Drive, Bedford Park, South Australia was classed as available for sale. A party was in due diligence to acquire the property at that time but no sale eventuated so it has been transferred back to investment property.

3.3 Trade and other receivables

Accounting policy

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

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

The amount of the impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income within property revenue. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off. Subsequent recoveries of amounts previously written off are credited against property revenue in the consolidated statement of profit or loss and other comprehensive income.

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:

	2015	2014
	$'000	$'000
Current		
Rent receivables	**3,788**	1,269
GST receivable	**533**	-
Prepayments	**4,913**	1,111
Unamortised tenant incentives	**26,404**	10,713
	35,638	13,093

Impaired rent receivables

As at 30 June 2015, there were no impaired rent receivables (2014: $95,000):

	$'000
At 30 June 2014	(95)
Reversal of provision for impairment	95
Bad debt written off	-
At 30 June 2015	-

Notes to the Financial Statements

Section 3: Operating assets and liabilities (cont.)

3.3 Trade and other receivables (cont.)

Determination of fair value (cont.)

Fair value and credit risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 4.4 for more information on the risk management policy of the Group.

	2015	2014
	$'000	$'000
Non-current		
Rent receivables	**61,239**	56,458
	61,239	56,458

Rent receivables represent the non-current portion of straight-line rental income receivable (refer note 2.1).

3.4 Trade and other payables

Accounting policies

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

Trade and other payables can be analysed as follows:

	2015	2014
	$'000	$'000
Trade payables	**664**	3
Non-trade payables	**464**	4,156
GST payable	**-**	746
Accrued expenses - other	**14,449**	7,973
Prepaid rent	**12,714**	10,873
	28,291	23,751

3.5 Plant and equipment

Accounting policies

Recognition and measurement

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

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

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

Depreciation

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

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

Section 3: Operating assets and liabilities (cont.)

3.5 Plant and equipment (cont.)

Accounting policies (cont.)

Depreciation (cont.)

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

- Technology equipment: 2 – 12 years
- Furniture and fittings: 4 – 10 years

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

Plant and equipment can be analysed as follows:

	Technology equipment	Furniture and fittings	**Total**
	$'000	$'000	$'000
Balance at 1 July 2013	27	494	**521**
Additions	33	25	**58**
Disposals	-	-	**-**
Depreciation for the year	(32)	(113)	**(145)**
Carrying amount as at 30 June 2014	28	406	**434**
Additions	12	3	**15**
Disposals	-	-	**-**
Depreciation for the year	(24)	(113)	**(137)**
Carrying amount as at 30 June 2015	16	296	**312**

Notes to the Financial Statements

Section 3: Operating assets and liabilities (cont.)

3.6 Cash flow information

	2015	2014
	$'000	$'000
(a) Reconciliation of cash at end of year		
Cash and cash equivalents balance	26,858	21,321
(b) Reconciliation of net operating profit to net cash inflow from operating activities		
Net profit for the period	283,004	117,348
Fair value adjustment to investment property	(169,832)	(23,780)
Profit on sale of investment properties	(363)	-
Fair value adjustment to derivatives	(1,542)	(12,800)
Loss on settlement of derivatives	12,822	15,750
Amortisation of borrowing costs	2,033	1,124
Interest received	(761)	(718)
Depreciation	137	145
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
- Increase in receivables	(5,050)	(5,566)
- Increase in prepayments	(28,431)	(10,469)
- (Increase) / decrease in deferred tax asset	(202)	123
- Increase in payables	572	7,487
Net cash inflow from operating activities	92,387	88,644

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

Accounting policies

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the consolidated statement of profit or loss and other comprehensive income over the period of the borrowings using the effective interest method.

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

Interest bearing liabilities

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

	Opening balance 1 July 2014	Movement during period	**Balance as at 30 June 2015**	Facility limit	Maturity
	$'000	$'000	$'000	$'000	
Secured bank loans					
Syndicated Facility					
- Facility A	255,000	-	**255,000**	255,000	Dec-17
- Facility B	255,000	-	**255,000**	255,000	Dec-18
- Facility C	179,294	(92,468)	**86,826**	245,000	Dec-19
- Facility D	22,095	(22,095)	**-**	70,000	Dec-19
- Facility E	100,000	-	**100,000**	100,000	Jun-19
- Facility F (i)	-	-	**-**	-	Jun-15
Loan note	-	200,000	**200,000**	200,000	Mar-25
Bilateral bank facility	65,234	(65,234)	**-**	-	
Total bank loans	876,623	20,203	**896,826**	1,125,000	
Less unamortised upfront costs	(5,409)	(972)	**(6,381)**		
Total interest bearing liabilities	871,214	19,231	**890,445**		

(i) Although the maturity of this facility was less than 12 months as at 30 June 2014, it was classified as a non-current liability as the Group had a contractual right to extend the facility at its discretion (on pre-arranged terms) by either two or four years from maturity. The Group intended to extend the facility by at least two years prior to the maturity date but the issue of $200 million of Loan Notes in March 2015 meant that this facility was no longer required and therefore it matured on 22 June 2015.

The weighted average interest rate (including bank margin and amortisation of upfront fees paid) at 30 June 2015 was 4.76% per annum (2014: 5.77% per annum). Refer to note 4.3 for details on interest rate swaps.

Total secured liabilities

The total non-current secured liabilities are as follows:

	2015	2014
	$'000	$'000
Bank loans	**696,826**	876,623
Loan Notes	**200,000**	–
Total secured liabilities	**896,826**	876,623

Notes to the Financial Statements

Section 4: Capital structure and financing costs (cont.)

4.1 Interest bearing liabilities (cont.)

Interest bearing liabilities (cont.)

Assets pledged as security

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

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

	2015	2014
	$'000	$'000
Current		
Floating charge		
Cash and cash equivalents	**26,858**	21,321
Receivables	**35,638**	13,093
Assets available for sale	**-**	17,741
	62,496	52,155
Non-current		
First mortgage		
Investment properties	**2,282,601**	2,019,435
Receivables	**61,239**	56,458
Floating charge		
Plant and equipment	**312**	434
Deferred tax assets	**499**	297
Total non-current assets pledged as security	**2,344,651**	2,076,624
Total assets pledged as security	**2,407,147**	2,128,779

Risk exposures

Information about the Group's exposure to interest rate changes is provided in note 4.4.

Fair value

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

4.2 Borrowing costs

Accounting policies

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

Borrowing costs can be analysed as follows:

	2015	**2014**
	$'000	$'000
Bank interest expense and charges	**42,259**	47,435
Amortisation of borrowing costs	**2,033**	1,607
	44,292	49,042

Section 4: Capital structure and financing costs (cont.)

4.3 Derivative financial instruments

Accounting policies

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

Interest rate swaps

As noted above the interest rate swaps are not designated in a hedge relationship for hedge accounting. Changes in fair value of such derivative instruments that do not qualify for hedge accounting are recognised immediately in the consolidated statement of profit or loss and other comprehensive income.

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:

	2015	2014
	$'000	$'000
Interest rate swap contracts – carried at fair value through profit and loss:		
Total current derivative financial instrument liabilities	-	192
Total non-current derivative financial instrument liabilities	**20,000**	21,350
	20,000	21,542

Instruments used by the Group

The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in interest rates in accordance with the Group's financial risk management policies (refer to note 4.4). 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 – carried at fair value through profit and loss

Swaps in effect at 30 June 2015 covered 53% (2014: 82%) of the loan principal outstanding with the $200 million Loan Note fixing a further 22% for a total fixed coverage of outstanding principle of 75%. The average fixed interest rate from interest rate derivatives at 30 June 2015 was 3.70% per annum (2014: 4.06% per annum) and the variable rate (excluding bank margin) is 2.09% per annum (2014: 2.67% per annum) at balance date. See table below for further details of swaps in effect at 30 June 2015:

Counter Party	**Amount of Swap**	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		%	Years
Westpac	**105,000**	Nov-2019	4.14%	4.3
NAB	**60,000**	Jun-2017	3.38%	2.0
ANZ	**100,000**	Sep-2016	3.80%	1.3
Westpac	**50,000**	Feb-2019	3.57%	3.6
ANZ	**50,000**	Feb-2019	3.55%	3.6
NAB	**60,000**	Nov-2019	3.70%	4.3
ANZ	**50,000**	Jul-2018	3.20%	3.0
Total / Weighted average	**475,000**		**3.70%**	**3.1**

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

At balance date these contracts were liabilities with a fair value of $20,000,000 (2014: liabilities of $21,542,000) for the Group. In the year ended 30 June 2015 there was a gain from the increase in fair value of $1,542,000 for the Group (2014: gain of $12,800,000).

Notes to the Financial Statements

Section 4: Capital structure and financing costs (cont.)

4.3 Derivative financial instruments (cont.)

Derivative financial instruments (cont.)

Risk exposures

Information about the Group's exposure to credit risk and interest rate risk is provided in note 4.4.

Fair value hierarchy

The table below analyses financial instruments carried at fair value (excluding investment properties which are at level 3, refer note 3.1), by valuation method. The different levels have been defined as follows:

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

	Level 1	Level 2	Level 3	**Total**
30 June 2015				
Derivative financial liabilities	-	20,000	-	**20,000**
	-	20,000	-	**20,000**
30 June 2014				
Derivative financial liabilities	-	21,542	-	**21,542**
	-	21,542	-	**21,542**

4.4 Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

Refer to page 48 of the Annual Report for more details. 48

Section 4: Capital structure and financing costs (cont.)

4.4 Financial risk management (cont.)

Financial instruments used by the Group

The Group's principal financial instruments, other than derivatives, comprise bank loans and *Loan Notes*.

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

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

Derivative financial instruments

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

The gain or loss from re-measuring the interest rate swaps at fair value is recognised in the consolidated statement of profit or loss and other comprehensive income immediately, as hedge accounting under AASB 139 has not been adopted.

Swaps effective at 30 June 2015 covered 53% of the loan principal outstanding at that date (2014: 82%).

Credit risk

Credit risk is the risk that counterparties to a financial asset will fail to discharge their obligations, causing the Group to incur a financial loss. The Group has significant derivative financial instruments held with three major Australian banks, NAB, Westpac and ANZ, counterparties which are considered to be high quality financial institutions. At balance sheet date, the fair value of the financial instruments is in a liability position.

At the balance sheet date, the agreed notional principal amount of interest rate swap contracts in effect for the Group is $475,000,000 (2014: $715,000,000) with a fair value at the reporting date of a liability of $20,000,000 (2014: liability of $21,542,000).

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

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

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

Due to the financial strength of the developer of the property that is under construction at 211 Wellington Road, Mulgrave VIC, no additional security is deemed necessary.

Net fair values

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

Notes to the Financial Statements

Section 4: Capital structure and financing costs (cont.)

4.4 Financial risk management (cont.)

Financial instruments used by the Group (cont.)

Market risk

A potential market risk to the Group arises from changes in interest rates relating to its *Syndicated Facility* amounting to $696,826,000 at balance sheet date (2014: $876,624,000).

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

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

	Fixed/Floating	**2015**	2014
		$'000	$'000
Financial assets			
Cash and cash equivalents	Floating	**26,858**	21,321
		26,858	21,321
Financial liabilities			
Derivative financial instruments	Floating	**20,000**	21,542
Interest bearing liabilities – Loan Note	Fixed	**200,000**	-
Interest bearing liabilities – hedged (i)	Fixed	**475,000**	715,000
Interest bearing liabilities – unhedged	Floating	**221,826**	161,624
		916,826	898,166

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

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date. At 30 June 2015, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net profit and equity would have been affected as follows:

	Post Tax Profit Higher / (Lower)	
	2015	2014
	$'000	$'000
+100 bps (2014 +100 basis points)		
Cash and borrowings	**(1,950)**	(1,403)
Interest rate derivatives	**14,335**	56,286
	12,835	54,883
-100 bps (2014 -100 basis points)		
Cash and borrowings	**1,950**	1,403
Interest rate derivatives	**(14,625)**	(56,287)
	(12,675)	(54,884)

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

Section 4: Capital structure and financing costs (cont.)

4.4 Financial risk management (cont.)

Financial instruments used by the Group (cont.)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations in relation to investment activities or other operations of the Group. The Group manages its liquidity risk by ensuring that on a daily basis there is sufficient cash on hand or available loan facilities to meet the contractual obligations of financial liabilities as they fall due. The Board sets budgets to monitor cash flows. In addition, the Company, as an Australian Financial Services Licensee, is required to prepare a rolling 12 month cashflow projection approved by directors. As at the balance sheet date, the Group had cash and cash equivalents totalling $26,858,000 (2014: $21,321,000).

Financing arrangements

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

	2015	2014
	$'000	$'000
Syndicated Facility		
Total facility	**925,000**	925,000
Used at balance date	**696,826**	811,390
Unused at balance date	**228,174**	113,610
Loan note		
Total facility	**200,000**	-
Used at balance date	**200,000**	-
Unused at balance date	**-**	-
Bilateral bank loan facility		
Total facility	**-**	70,000
Used at balance date	**-**	65,235
Unused at balance date	**-**	4,765
Total unused bank facilities	**228,174**	118,376

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

- Tranche 1, $255,000,000 with a maturity of 31 December 2017
- Tranche 2, $255,000,000 with a maturity of 31 December 2018
- Tranche 3, $245,000,000 with a maturity of 31 December 2019
- Tranche 4, $70,000,000 with a maturity of 31 December 2019
- Tranche 5, $100,000,000 with a maturity of 30 June 2019.

The *Loan Notes* of $200,000,000 mature on 15 March 2025.

Notes to the Financial Statements

Section 4: Capital structure and financing costs (cont.)

4.4 Financial risk management (cont.)

Financial instruments used by the Group (cont.)

Liquidity risk (cont.)

Maturities of financial liabilities

The maturity of financial liabilities (including trade and other payables, provision for distribution, provision for current tax payable, derivative financial instruments and interest bearing liabilities) at reporting date is shown below, based on the contractual terms of each liability in place at reporting date. The amounts disclosed are based on undiscounted cash flows, including interest payments based on variable rates at 30 June 2015.

	Carrying amount	Total contractual cashflows	6 months or less	6 to 12 months	1 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000	$'000
2015						
Non-derivative financial liabilities						
Bank loans and Loan Notes	896,826	1,077,011	14,624	12,811	835,833	213,743
Other payables	85,064	85,064	85,064	-	-	-
	981,890	1,162,075	99,688	12,811	835,833	213,743
Derivative financial liabilities						
Interest rate swaps used for hedging	20,000	20,311	2,933	3,161	14,216	-
	20,000	20,311	2,933	3,161	14,216	-
2014						
Non-derivative financial liabilities						
Bank loans	876,624	1,146,934	19,993	119,594	1,007,347	-
Other payables	59,709	59,709	59,709	-	-	-
	936,333	1,206,643	79,702	119,594	1,007,347	-
Derivative financial liabilities						
Interest rate swaps used for hedging	21,542	19,849	4,897	4,592	10,360	-
	21,542	19,849	4,897	4,592	10,360	-

Capital management

The Group's capital management strategy is discussed in note 4.5.

Section 4: Capital structure and financing costs (cont.)

4.5 Contributed Equity and reserves

Accounting policies

Share capital

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

Distributions and dividends

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

Share-based payment transactions

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

Contributed Equity

Contributed equity can be analysed as follows:

	2015	**2015**	2014	2014
	No. ('000)	$'000	No. ('000)	$'000
Opening balance at 1 July	**540,115**	1,303,009	402,830	973,911
Issue of ordinary stapled securities during the year:				
Rights issue	**-**	-	92,917	225,041
Placement	**-**	-	20,408	50,000
Distribution reinvestment plans	**28,626**	73,746	23,723	56,489
Securities issued through Employee Incentive Plan	**287**	-	237	-
Costs of raising capital	**-**	(744)	-	(2,432)
	28,913	73,002	137,285	329,098
Closing balance at 30 June	**569,028**	1,376,011	540,115	1,303,009

Ordinary stapled securities

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

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

Distribution reinvestment plan

The Distribution Reinvestment Plan was operative for the 31 December 2014 distribution of the Group, but not operative for the distribution declared for the six months ended 30 June 2015.

Notes to the Financial Statements

Section 4: Capital structure and financing costs (cont.)

4.5 Contributed Equity and reserves (cont.)

Accounting policies (cont.)

Capital risk management

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

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

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

- The Distribution Reinvestment Plan was in operation for the 30 June 2014 distribution and 31 December 2014 distributions, raising a total of $73,746,000 for this issue of 28,625,722 new stapled securities.
- In August 2014, the Group was issued an independent credit rating of *Baa2* on senior secured debt by Moody's.
- In September 2014 Growthpoint was added to the S&P ASX 300 index and in June 2015 was added to the S&P ASX 200 index. Being added to these indexes widens the pool of investors the Group can raise equity from in future.
- In September 2014 the *Syndicated Facility* was restructured, repriced and extended. A further lender was added to the syndicate (bringing the total to four) and the facility was amended to enable capital market issuances.
- In October and November of 2014 the Group extended four of its interest rate swaps to reflect the extended Syndicated Facility.
- In March 2015 the Group issued $200 million of *Loan Notes* to a new financier for a 10 year term for a fixed coupon. At the same time, Growthpoint terminated a $200 million interest rate swap to keep the percentage of debt *hedged* and at a fixed rate within its target range of 75%-100%. Proceeds from the Loan Note were used to repay existing debt, and as a result the *Bilateral Facility* of $70 million was repaid in full, with the remaining proceeds being used to partially repay the Syndicated Facility.
- In June 2015 the Group repaid in full $100 million of tranche F of the Syndicated Facility and let that tranche mature as it already had sufficient "debt headroom" following the issuance of the Loan Notes in March 2015.
- The result of these interest rate hedging transactions and the fixed rate Loan Note was to provide an average fixed interest rate of 3.41% per annum, prior to lending margin, (2014: 4.06% per annum) for $675 million, equating to 75% of the Group's debt, for an average duration of 5.0 years as at 30 June 2015.
- As at 30 June 2015 the Group had total debt facilities of $1,125,000,000 of which $228,174,000 was undrawn at balance date.

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

During the year, the Group altered its target gearing range from 40%-45% to 35%-45%. At 30 June 2015, the gearing ratio was 37.0% (2014: 40.9%). The gearing ratios at 30 June 2015 and 30 June 2014 were calculated as follows:

	2015	2014
	$'000	$'000
Total interest bearing liabilities	**890,445**	871,214
Total assets	**2,407,147**	2,128,779
Gearing ratio	**37.0%**	40.9%

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve comprises the transfer of the portion of the fair value of the total cost recognised under the Employee Incentive Plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date. Refer to Note 4.7 for more information.

Deferred tax expense charged to equity

This reserve comprises deferred tax balances attributable to amounts that are also recognised directly in equity. Refer to Note 2.2 for further information.

Profits reserve

The profits reserve comprises the transfer of net profit in the Company for the year (if any) and contains profits available for distribution as dividends in future years. There were no dividends distributed from the profits reserve during the year (2014: nil).

Section 4: Capital structure and financing costs (cont.)

4.6 Distributions

Period for distribution	**Total distribution**	Total stapled securities	Distributions per stapled security
	$'000	('000)	(cents)
Half year to 31 December 2014 GOZ	**54,351**	554,603	9.80
Half year to 30 June 2015 GOZ	**56,334**	569,028	9.90
Total distribution for FY15	**110,685**		19.70
Half year to 31 December 2013 GOZ	**38,960**	414,467	9.40
Half year to 30 June 2014 GOZ	**46,850**	488,029	9.60
	85,810		19.00
Half year to 31 December 2013 GOZNA	**531**	20,408	2.60
Half year to 31 December 2013 GOZN	**449**	40,830	1.10
Total distribution for FY14	**86,790**		

4.7 Share-based payment arrangements

Accounting policies

Share-based payment transactions

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

Determination of fair values

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

Share-based payment arrangements

At 30 June 2015, the Group has the following share-based payment arrangements:

Employee Incentive Plans FY12, FY13, FY14 and FY15

The Group has introduced employee incentive plans for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the *long-term* goals and performance of the Group and the maximisation of wealth for its Securityholders. The current measures for the plans, which are reviewed regularly by the Nomination, Remuneration & HR Committee and/or the Board are described in full on page 63 (in the remuneration report section of the directors' 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.

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

During the year, the cost of the first tranche of the FY14 Employee Incentive Plan performance rights was determined. The cost of the first tranche for the Managing Director was $112,066 and for other employees $109,703. The first tranche of these performance rights vested during the year. The value of future tranches under this plan cannot be determined until the financial year in which they vest.

Notes to the Financial Statements

Section 4: Capital structure and financing costs (cont.)

4.7 Share based payment arrangements (cont.)

Share-based payment arrangements (cont.)

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

The fair value of performance rights under the FY15 Employee Incentive Plan was determined on the grant date of those rights and then "trued-up" at 30 June 2015 where allowed. The fair value of these rights for directors is estimated as $519,904 and for other employees $555,777. This estimate is based on achieving 80.0% of the maximum payable under the 2015 plan. This is seen as a reasonable estimate of fair value as it is based on the percentage achieved for comparable elements from the 2013 and 2014 plans, adjusted for information available on likely achievement as at 30 June 2015. The actual costs of performance rights cannot be determined until FY16 and the first issue of securities under the 2015 plan will not occur until FY16.

During the year, $1,112,000 was recognised in the share based payments reserve (June 14: $1,231,000). This represents the amounts recognised under the four plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date.

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

The table below outlines the value of performance rights granted during the year to 30 June 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 FY14
			$	No.	$	%
FY14 Plan	Director	27-11-14	112,066	40,457	N/A	25%
FY14 Plan	Other employees	08-10-14	109,703	39,605	N/A	25%
FY13 Plan	Director	08-10-14	138,040	49,834	276,080	25%
FY13 Plan	Other employees	08-10-14	122,538	44,238	245,076	25%
FY12 Plan	Director	08-10-14	98,791	35,665	98,791	25%
FY12 Plan	Other employees	08-10-14	83,389	30,104	83,389	25%
FY11 Plan	Director	08-10-14	75,870	27,390	-	25%
FY11 Plan	Other employees	08-10-14	53,752	19,406	-	25%

Section 5: Other notes

5.1 Related party transactions

Related party transactions

Responsible Entity

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

Key management personnel compensation

The key management personnel compensation comprised:

	2015	2014
	$	$
Short-term employee benefits	**3,720,226**	3,008,156
Other long-term employee benefits	**-**	-
Post-employment benefits	**126,015**	104,311
Termination benefits	**-**	-
Share-based payments	**914,950**	765,929
	4,761,191	3,878,396

Individual directors and executives compensation disclosures

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

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

Director transactions

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

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

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

Director	Transaction	**2015**	2014
		$	$
G. Jackson (i)	Valuation	**13,200**	24,600

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value three properties (2014: 4). 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 30 June 2015, No amount was payable for valuation services (2014: $10,500).

The Group also uses the services of National Australia Bank of which Geoff Tomlinson was a director until December 2014. Services include transactional banking, lending, provision of interest rate swaps and provision of life insurance. These services are 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.

Notes to the Financial Statements

Section 5: Other notes (cont.)

5.1 Related party transactions (cont.)

Related party transactions (cont.)

Movements in securities

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

2015

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	No.	No.	No.	No.
G. Jackson	139,807	-	-	-	139,807
L. Shaddock (i)	550,001	-	-	-	n/a
N. Sasse	1,164,881	-	85,069	-	1,249,950
E. de Klerk	1,219,975	-	88,746	-	1,308,721
T. Collyer	315,165	153,346	-	-	468,511
F. Marais	81,800	-	48,096	-	129,896
A. Hockly	48,346	34,236	5,852	(20,000)	68,434
D. Andrews	56,394	31,596	-	-	87,990
M. Green	55,449	31,076	-	-	86,525
G. Tomlinson	55,337	-	1,986	-	57,323
M. Brenner	-	-	7,000	-	7,000

(i) Lyn Shaddock retired as director on 26 November 2014.

During the year to 30 June 2015, a total of 250,254 stapled securities with a total value of $693,200 were issued to key management personnel upon vesting of performance rights under the Employee Incentive Plan.

2014

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	No.	No.	No.	No.
G. Jackson	82,672	-	57,135	-	139,807
L. Shaddock	490,000	-	60,001	-	550,001
N. Sasse	844,253	-	320,628	-	1,164,881
E. de Klerk	675,769	-	544,206	-	1,219,975
T. Collyer	175,963	128,156	11,046	-	315,165
F. Marais	62,477	-	19,323	-	81,800
A. Hockly	11,780	28,427	8,139	-	48,346
D. Andrews	29,067	26,176	1,151	-	56,394
M. Green	28,133	25,586	1,730	-	55,449
G. Tomlinson	-	-	55,337	-	55,337

During the year to 30 June 2014, a total of 208,345 stapled securities with a total value of $508,362 were issued to key management personnel upon vesting of performance rights under the Employee Incentive Plan.

Section 5: Other notes (cont.)

5.1 Related party transactions (cont.)

Related party transactions (cont.)

Key management personnel loan disclosures

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

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

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

Transactions with significant shareholders

There were no transactions with significant shareholders during the year (2014: nil).

There were no balances outstanding from transactions with significant shareholders as at 30 June 2015 (2014: nil).

5.2 Contingent liabilities

The Group has no contingent liabilities as at the date of this report (2014: nil).

5.3 Commitments

For details of commitments on properties to be expanded see Note 3.1.

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

5.4 Controlled entities

The consolidated financial statements incorporate the assets, liabilities and results of the following controlled entities in accordance with the accounting policy described in Note 1:

Name of entity	Country of domicile / incorporation	Class of units / shares	Equity holding*	
			2015	2014
			%	%
Wholesale Industrial Property Fund	Australia	Ordinary	**100.00**	100.00
19 Southern Court Property Trust	Australia	Ordinary	**100.00**	100.00
Kilsyth 1 Property Trust	Australia	Ordinary	**100.00**	100.00
Kilsyth 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Queensland Property Trust	Australia	Ordinary	**100.00**	100.00
New South Wales Property Trust	Australia	Ordinary	**100.00**	100.00
Coolaroo Property Trust	Australia	Ordinary	**100.00**	100.00
Broadmeadows Leasehold Trust	Australia	Ordinary	**100.00**	100.00
Atlantic Drive Property Trust	Australia	Ordinary	**100.00**	100.00
20 Southern Court Property Trust	Australia	Ordinary	**100.00**	100.00
Ravenhall Property Trust	Australia	Ordinary	**100.00**	100.00
Laverton Property Trust	Australia	Ordinary	**100.00**	100.00
Drake Boulevard Property Trust	Australia	Ordinary	**100.00**	100.00
Preston 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Goulburn Property Trust	Australia	Ordinary	**100.00**	100.00
Growthpoint Properties Australia Limited	Australia	Ordinary	**100.00**	100.00
Growthpoint Nominees (Aust) Pty Limited	Australia	Ordinary	**100.00**	100.00
Growthpoint Nominees (Aust) 2 Pty Limited	Australia	Ordinary	**100.00**	100.00

Notes to the Financial Statements

Section 5: Other notes (cont.)

5.4 Controlled entities (cont.)

Name of entity	Country of domicile / incorporation	Class of units / shares	Equity holding*	
			2015	2014
			%	%
Eagle Farm Property Trust	Australia	Ordinary	**100.00**	100.00
Yatala 1 Property Trust	Australia	Ordinary	**100.00**	100.00
Yatala 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Yatala 3 Property Trust	Australia	Ordinary	**100.00**	100.00
South Brisbane 1 Property Trust	Australia	Ordinary	**100.00**	100.00
South Brisbane 2 Property Trust	Australia	Ordinary	**100.00**	100.00
SW1 Car Park Trust	Australia	Ordinary	**100.00**	100.00
World Park Property Trust	Australia	Ordinary	**100.00**	100.00
Building 2 Richmond Property Trust	Australia	Ordinary	**100.00**	100.00
Derrimut Property Trust	Australia	Ordinary	**100.00**	100.00
Dandenong South Property Trust	Australia	Ordinary	**100.00**	100.00
Nundah Property Trust	Australia	Ordinary	**100.00**	100.00
Rabinov Property Trust	Australia	Ordinary	**100.00**	100.00
Rabinov Property Trust No. 2	Australia	Ordinary	**100.00**	100.00
Rabinov Property Trust No. 3	Australia	Ordinary	**100.00**	100.00
Ann Street Property Trust	Australia	Ordinary	**100.00**	100.00
CB Property Trust	Australia	Ordinary	**100.00**	100.00
New South Wales 2 Property Trust	Australia	Ordinary	**100.00**	100.00
Richmond Car Park Trust	Australia	Ordinary	**100.00**	100.00
Mort Street Property Trust	Australia	Ordinary	**100.00**	100.00
Erskine Park Pharmaceutical Trust	Australia	Ordinary	**100.00**	100.00
Erskine Park Truck Trust	Australia	Ordinary	**100.00**	100.00
Erskine Park Warehouse Trust	Australia	Ordinary	**100.00**	100.00
William Angliss Drive Trust	Australia	Ordinary	**100.00**	100.00
Charles Street Property Trust	Australia	Ordinary	**100.00**	100.00
Wellington Road Property Trust	Australia	Ordinary	**100.00**	-
1500 Ferntree Gully Road Property Trust	Australia	Ordinary	**100.00**	-
6 Kingston Park Court Property Trust	Australia	Ordinary	**100.00**	-
3 Millennium Court Property Trust	Australia	Ordinary	**100.00**	-

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

Section 5: Other notes (cont.)

5.5 Parent entity disclosures

As at, and throughout, the financial year ending 30 June 2015 the parent of the Group was Growthpoint Properties Australia Trust.

	2015	2014
	$'000	$'000
Result of the parent entity		
Profit for the period	283,175	117,454
Other comprehensive expense	(110,685)	(86,790)
Total comprehensive income for the period	172,490	30,664
Financial position of the parent entity at year end		
Current assets	45,750	24,198
Total assets	2,389,590	2,123,241
Current liabilities	119,728	108,220
Total liabilities	1,030,173	1,006,385
Net assets	1,359,417	1,116,856
Total equity of the parent entity comprising:		
Contributed equity	1,327,265	1,257,194
Retained profits / (losses)	32,152	(140,338)
Total equity	1,359,417	1,116,856

The contractual obligations of the parent entity are identical to those disclosed on Note 3.1

5.6 Subsequent events

On 13 July 2015 the Group exchanged contracts to acquire an industrial property at 1-3 Pope Court, Beverley, South Australia for $20.8 million (prior to acquisition costs). The property settled on 17 July 2015.

Directors' declaration

In the opinion of the Directors of Growthpoint Properties Australia Limited:

(a) the attached Financial Statements and notes, and the Remuneration Report in the Directors' Report, set out on pages 58 to 67, are in accordance with the *Corporations Act 2001* (Cth), including:

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

ii) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the financial year ended on that date; and

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

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2015.

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

T.J. Collyer.

Timothy Collyer
Managing Director

Melbourne, 17 August 2015