Notes to the Financial Statements

Section 1: Basis of preparation

in this section ...

This section shows the basis of reporting for the Group and relevant new accounting standards, amendments and interpretations, whether these are effective in FY17 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 2017. The Group's registered address is Level 31, 35 Collins Street, Melbourne, Victoria 3000, Australia.

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

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 21 August 2017.

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

Use of estimates, assumptions and judgements

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

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

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

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

Determination of fair values

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

New Standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2017, 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. The Group does not plan to early adopt this standard. The effect of the Standard has been examined and would not have any material impact on the Group once implemented.

IFRS 15 Revenue from contracts with customers

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

IFRS 15 is effective for the FY18 annual reporting period for the Group with early adoption permitted. The Group does not plan to early adopt this standard. The effect of the Standard has been examined and would not have any material impact on the Group once implemented.

IFRS 16 Leases

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

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

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

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

IFRS 16 is effective for the FY19 annual reporting period for the Group with early adoption permitted. The Group does not plan to early adopt this standard. The effect of the Standard has been examined and would not have any material impact on the Group once implemented.

Section 2: Operating results, assets and liabilities

in this section ...

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

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

2.1 Revenue and segment information

Accounting policies

Revenue recognition

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

Segment results

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

Segmental information

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

	Office	Industrial	**Total**
	$'000	*$'000*	*$'000*
Statement of comprehensive income for the year ended 30 June 2017			
Revenue, excluding straight line lease adjustment	160,396	101,067	261,463
Property expenses	(23,583)	(14,562)	(38,145)
Net Property Income Segment results	136,813	86,505	223,318
Net changes in fair value of investment properties	72,221	45,936	118,157
Segment results	209,034	132,441	341,475
Income not assigned to segments			4,282
Expenses not assigned to segments			(67,617)
Net profit before income tax			278,140

2.1 Revenue and segment information (cont.)

Segmental information (cont.)

	Office	Industrial	Restated Total
	$'000	*$'000*	*$'000*
Statement of comprehensive income for the year ended 30 June 2016			
Revenue, excluding straight line lease adjustment	101,219	107,407	208,626
Property expenses	(13,459)	(13,998)	(27,457)
Net Property Income Segment results	87,760	93,409	181,169
Net changes in fair value of investment properties	70,735	20,956	91,691
Segment results	158,495	114,365	272,860
Income not assigned to segments			2,324
Expenses not assigned to segments			(55,389)
Net profit before income tax			219,795

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

Major customer

Revenues from one customer, Woolworths Limited, of the Group's Industrial segment represents $45,650,000 (2016: $47,705,000) of the Group's total revenues.

2.2 Investment properties

Accounting policies

Investment property

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

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

Any gains or losses arising from changes in fair value of the properties are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

Lease incentives and commissions

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

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

Determination of fair value

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

2.2 Investment properties (cont.)

Determination of fair value (cont.)

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.

Revised accounting treatment of tenant incentives

During the year, the Group altered its treatment of determining fair value revaluation adjustments related to investment property by including the balance of unamortised tenant incentives previously recognised as an asset (in Trade and Other Assets) separate to the investment property to which it applied. The impact of this change is:

- On the Consolidated Statement of Financial Position as at 30 June 2016, decrease Current Trade and Other Assets by $34,429,000 and decreased Accumulated Profits by $34,429,000. This restatement had a corresponding impact on reported balance sheet gearing.
- On the Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year to 30 June 2016, decrease Net Changes in Fair Value of Investment Properties by $4,892,000, which consequently reduces Profit for the Period by the same amount. Basic and Diluted Earnings Per Security is also reduced to 38.1 cents for that year from 38.9 cents previously reported.
- On the Consolidated Statement of Changes in Equity, the opening balance of Accumulated Profits at 30 June 2015 reduces by $29,537,000, the Profit After Tax for the year to 30 June 2016 reduces by $4,892,000 and the closing balance of Accumulated Profits at 30 June 2016 reduces by $34,429,000.

For consistency with the treatment of tenant incentives outlined above, the Group adopted a change to its accounting policy with regards to the presentation of straight line adjustments to rental income. It has derecognised straight line rent receivables as a separate asset and included them as a component of the value of investment property.

The impact of this accounting policy change is nil for the Profit for the Year as per the Consolidated Statement of Profit or Loss and Other Comprehensive Income both in the current year and the prior corresponding period. The impact of this accounting policy change is nil for Net Assets as per the Consolidated Statement of Financial Position as at 30 June 2017 and 30 June 2016.

On the Consolidated Statement of Financial Position as at 30 June 2016 the effect is to decrease Non-Current Trade and Other Assets by $58,556,000 and increase Investment Properties by $58,556,000. This restatement has a nil impact on reported Net Assets.

Investment Properties Value

			Latest External Valuation		Consolidated Book Value	
Industrial Properties			Date	Valuation	**30-Jun-17**	30-Jun-16
				$'000	*$'000*	*$'000*
Victoria						
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-17	77,700	**77,700**	77,700
522-550 Wellington Road	Mulgrave	VIC	31-Dec-16	65,500	**65,900**	64,500
1500 Ferntree Gully Road & 8 Henderson Road	Knoxfield	VIC	30-Jun-17	42,300	**42,300**	39,250
40 Annandale Road	Melbourne Airport	VIC	30-Jun-17	33,000	**33,000**	34,600
9-11 Drake Boulevard	Altona	VIC	31-Dec-16	31,350	**31,350**	31,300
130 Sharps Road	Melbourne Airport	VIC	31-Dec-16	24,500	**24,500**	23,600
120-132 Atlantic Drive	Keysborough	VIC	31-Dec-16	23,500	**24,100**	22,350
Lots 2-4, 44-54 Raglan Street	Preston	VIC	31-Dec-16	22,500	**23,100**	21,650
20 Southern Court	Keysborough	VIC	30-Jun-17	15,250	**15,250**	14,350
120 Link Road	Melbourne Airport	VIC	31-Dec-16	14,100	**15,500**	14,000
60 Annandale Road	Melbourne Airport	VIC	30-Jun-17	13,000	**13,000**	12,800
6 Kingston Park Court	Knoxfield	VIC	30-Jun-17	12,150	**12,150**	11,700
3 Millennium Court	Knoxfield	VIC	31-Dec-16	11,000	**11,000**	10,800

2.2 Investment properties (cont.)

Investment Property Values (cont.)

Industrial Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 30-Jun-17	Consolidated Book Value 30-Jun-16
				$'000	$'000	$'000
31 Garden Street	Kilsyth	VIC	31-Dec-16	9,900	**10,100**	9,750
45-55 South Centre Road	Melbourne Airport	VIC	31-Dec-16	7,850	**7,850**	8,000
19 Southern Court	Keysborough	VIC	30-Jun-17	8,100	**8,100**	8,000
75 Annandale Road	Melbourne Airport	VIC	30-Jun-17	7,150	**7,150**	7,100
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-16	201,000	**205,000**	200,800
13 Business Street	Yatala	QLD	31-Dec-16	15,000	**15,000**	14,850
29 Business Street (i)	Yatala	QLD	30-Jun-16	10,400	**-**	10,400
5 Viola Place	Brisbane Airport	QLD	31-Dec-16	8,500	**8,000**	8,500
10 Gassman Drive (ii)	Yatala	QLD	30-Jun-16	4,800	**-**	4,800
3 Viola Place	Brisbane Airport	QLD	31-Dec-16	1,970	**2,100**	1,950
Western Australia						
20 Colquhoun Road	Perth Airport	WA	31-Dec-16	150,000	**152,800**	146,000
New South Wales						
27-49 Lenore Drive	Erskine Park	NSW	30-Jun-17	63,500	**63,500**	60,900
6-7 John Morphett Place	Erskine Park	NSW	31-Dec-16	45,000	**45,000**	45,000
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-16	31,000	**32,000**	30,000
34 Reddalls Road	Kembla Grange	NSW	30-Jun-17	24,000	**24,000**	21,000
81 Derby Street	Silverwater	NSW	31-Dec-16	16,200	**16,600**	15,100
South Australia						
599 Main North Road	Gepps Cross	SA	31-Dec-16	73,000	**73,400**	70,300
1-3 Pope Court	Beverley	SA	30-Jun-17	21,250	**21,250**	21,100
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-16	14,000	**14,300**	14,100
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-16	8,550	**8,400**	8,400
Total Industrial Properties				1,107,020	**1,103,400**	1,084,650

(i) This property was sold in September 2016.
(ii) This property was sold in July 2017.

2.2 Investment properties (cont.)

Investment Property Values (cont.)

Office Properties			Latest External Valuation Date	Latest External Valuation	Consolidated Book Value 30-Jun-17	Consolidated Book Value 30-Jun-16
				$'000	$'000	$'000
Victoria						
75 Dorcas Street	South Melbourne	VIC	30-Jun-17	180,000	**180,000**	166,000
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-17	80,900	**80,900**	82,000
Building B, 211 Wellington Road	Mulgrave	VIC	31-Dec-16	70,400	**72,400**	67,000
Buildings 1&3, 572-576 Swan Street	Richmond	VIC	31-Dec-16	60,300	**62,000**	57,800
Building C, 211 Wellington Road	Mulgrave	VIC	31-Dec-16	53,000	**55,500**	22,070
Carpark, 572-576 Swan Street	Richmond	VIC	30-Jun-17	1,125	**1,125**	1,200
Vantage, 109 Burwood Road (iii)	Hawthorn	VIC	30-Jun-17	89,250	**89,250**	-
Queensland						
1231-1241 Sandgate Road (iv)	Nundah	QLD	31-Dec-16	103,500	**-**	103,500
333 Ann Street	Brisbane	QLD	30-Jun-17	121,000	**121,000**	102,500
CB1, 22 Cordelia Street	South Brisbane	QLD	30-Jun-17	99,000	**99,000**	92,500
A1, 32 Cordelia Street	South Brisbane	QLD	31-Dec-16	77,750	**81,200**	74,800
A4, 52 Merivale Street	South Brisbane	QLD	30-Jun-17	79,000	**79,000**	72,800
CB2, 42 Merivale Street	South Brisbane	QLD	31-Dec-16	55,500	**57,200**	52,400
Car Park, 32 Cordelia Street & 52 Merivale Street	South Brisbane	QLD	31-Dec-16	25,750	**26,000**	18,000
Optus Centre, 15 Green Square Close (iii)	Fortitude Valley	QLD	30-Jun-17	138,000	**138,000**	-
South Australia						
World Park, 33-39 Richmond Road	Keswick	SA	30-Jun-17	62,000	**62,000**	62,000
7 Laffer Drive	Bedford Park	SA	30-Jun-17	15,500	**15,500**	16,400
New South Wales						
1 Charles Street	Parramatta	NSW	31-Dec-16	292,000	**303,500**	280,000
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-16	115,000	**115,000**	111,000
5 Murray Rose Avenue (iii)	Sydney Olympic Park	NSW	31-Dec-16	93,500	**97,000**	-
3 Murray Rose Avenue (iii)	Sydney Olympic Park	NSW	30-Jun-17	97,000	**97,000**	-
Quad 2, 6 Parkview Drive (iii)	Sydney Olympic Park	NSW	31-Dec-16	28,500	**28,500**	-
Quad 3, 102 Bennelong Parkway (iii)	Sydney Olympic Park	NSW	30-Jun-17	29,800	**29,800**	-
Tasmania						
89 Cambridge Park Drive	Cambridge	TAS	31-Dec-16	27,000	**27,000**	27,000
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-17	87,000	**87,000**	87,500
255 London Circuit	Canberra	ACT	31-Dec-16	72,000	**72,000**	70,025
Total Office Properties				2,153,775	**2,076,875**	1,566,495
Total investment properties				3,260,795	**3,180,275**	2,651,145

(iii) These properties were acquired in October 2016.
(iv) This property has been transferred to assets available for sale.

2.2 Investment properties (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 JLL, Savills, Urbis, CBRE, Knight Frank, Colliers, m3property and LMW. The fair value of properties not externally valued as at 30 June 2017 were based solely on Director valuations.

At each reporting date, the Directors update their assessment of the fair value of each property in accordance with the Group 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:

	2017	2016
Discount rate	**7.3% - 8.5%**	7.5% - 9.8%
Terminal yield	**6.3% - 10.0%**	6.8% - 11.5%
Capitalisation rate	**5.8% - 9.0%**	6.0% - 9.5%
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:

	2017	2016
Discount rate	**6.8% - 10.5%**	6.8% - 10.0%
Terminal yield	**6.3% - 10.3%**	6.3% - 11.8%
Capitalisation rate	**5.5% - 13.4%**	6.0% - 11.8%
Expected vacancy period	**6-12 months**	6-12 months
Rental growth rate	**3.0% - 4.5%**	3.1% - 4.5%

Commentary on Discount Rates

Date of Valuation	**30-Jun-17**	30-Jun-16
Weighted average 10-year discount rate used to value the Group's properties	**7.49%**	7.89%
10-year bond rate	**2.60%**	1.98%
Implied property risk premium	**4.89%**	5.91%

As the above table shows, over the 12 months to 30 June 2017 discount rates utilised in the valuation of the Group's property portfolio have tightened (lowered) by approximately 40 basis points. Over the same period the implied property risk premium has decreased by approximately 102 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 in part due to further tightening of the Group's weighted average discount rate in addition to a strong recovery in government bond yields (62 basis points) since 30 June 2016.

2.2 Investment properties (cont.)

Commentary on Capitalisation Rates

Industrial

The major Eastern seaboard industrial markets continue to be characterised by a large volume of existing capital with limited opportunities for new investment. Domestic and international REITs remain the most active buyers. Melbourne and Sydney remain the focal point of investor attention given their stronger local economies. Investors continue to seek larger assets with long WALEs which provide stable income, however opportunities are limited given vendors reluctance to dispose of assets due to the difficulty in replacing income. Yields have continued to compress in most markets, the result of strong investor appetite and limited stock, compressing by between 0 and 50 basis points. The weighted average capitalisation rate used in valuing the industrial portfolio has firmed from 7.1% to 6.9% over the 12 months to 30 June 2017.

Office

Capital remains readily available for new investment in the office sector supporting continued strong demand, especially for prime quality assets in both CBD and fringe markets providing long lease terms, modern improvements and fixed rent increases. The A-REIT sector and offshore investors continue to represent the most active buyer profile. Investor focus remains on Eastern seaboard cities, particularly Sydney and Melbourne, although limited opportunity in these markets has prompted investors to consider other markets (e.g. Brisbane). Yields continued to tighten in most markets, particularly for prime and A-grade assets in the Eastern states of Australia, compressing by between 25 and 75 basis points. The weighted average capitalisation rate used in valuing the office portfolio has firmed from 6.8% to 6.3% over the 12 months to 30 June 2017.

Uncertainty around property valuations

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

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

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

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

Contractual obligations

At 30 June 2017, 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 120-132 Atlantic Drive, Keysborough, Victoria can request a 3,000 square metre expansion at any point during the term (which currently expires on 20 December 2028). The Group would be responsible for funding this expansion. Upon completion, the lease would be re-set so that at least seven years remained and rent would be charged on the additional lettable area constructed under the expansion clause.
- Under a warehouse expansion clause in the current lease to Brown & Watson International Pty Ltd at 1500 Ferntree Gully Road, Knoxfield, Victoria, the tenant can request an expansion of the warehouse over the vacant land at any point during the initial term prior to the latest date for exercising the first option (which is 13 August 2024). The Group would be responsible for funding this expansion. Upon completion, the lease would be re-set so that at least seven years remained and rent would be charged on a formula utilising the construction costs under the warehouse expansion clause.
- Under an expansion clause in the current lease at 60 Annandale Road, Melbourne Airport, Victoria (which currently expires on 3 May 2028), the Group is responsible for funding a 5,000 square metre expansion of the property. Upon completion of the expansion works the lease would be re-set so that at least ten years remained and rent would be charged on the additional lettable area constructed under the expansion clause.
- The property expansions detailed above have an estimated aggregate cost of not more than $9.0 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.

2.2 Investment properties (cont.)

Amounts recognised in profit and loss for investment properties

	2017	Restated 2016
	$'000	$'000
Rental income	**261,463**	208,626
Straight line adjustment to rental income	**2,522**	7,426
Net gain from fair value adjustment	**118,157**	91,691
Loss on sale of investment properties	**(1,123)**	-
Unrealised gain on assets held for sale	**-**	163
Direct operating expenses from property that generated rental income	**(38,145)**	(27,457)
	342,874	280,449

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:

	2017	2016
	$'000	$'000
Within one year	**228,397**	206,862
Later than one year but not later than five years	**819,366**	736,407
Later than five years	**476,081**	480,018
	1,523,844	1,423,287

10 (2016: 10) of the investment properties are held on a leasehold basis with non-cancellable, long-term operating leases with ground rent payable monthly. The minimum lease payments under these leases payable by the Trust are as follows:

	2017	2016
	$'000	$'000
Within one year	**2,261**	3,399
Later than one year but not later than five years	**4,722**	5,725
Later than five years	**148**	605
	7,131	9,728

2.2 Investment properties (cont.)

Reconciliation of value of investment properties

	2017	Restated 2016
	$'000	*$'000*
At fair value		
Opening balance	**2,651,145**	2,343,840
Acquisitions	**510,867**	347,844
Capital expenditure	**10,042**	6,976
Lease incentives and leasing costs	**17,238**	11,116
Amortisation of lease incentives and leasing costs	**(9,969)**	(6,224)
Disposals	**(15,103)**	-
Net loss on disposals	**(1,123)**	-
Unrealised gain on assets held for sale	**-**	163
Transfer to available for sale	**(103,500)**	(151,688)
Straight lining of revenue adjustment	**2,522**	7,426
Net gain from fair value adjustment	**118,157**	91,691
Closing balance at 30 June	**3,180,275**	2,651,145

2.3 Non-current assets held for sale

Accounting policy

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

As at 30 June 2017, there was one property classed as held for sale (2016: 5) and its value is shown on the table below:

	2017	2016
	$'000	*$'000*
28 Bilston Drive, Wodonga, VIC	**-**	69,240
213-215 Robinsons Road, Ravenhall, VIC	**-**	26,959
99 and 101-103 William Angliss Drive, Laverton North, VIC	**-**	27,730
365 Fitzgerald Road, Derrimut, VIC	**-**	17,843
670 Macarthur Avenue, Pinkenba, QLD	**-**	9,916
1231-1241 Sandgate Road, Nundah, QLD (i)	**103,500**	-
Total	**103,500**	151,688

(i) This property transacted and settled on 7 July 2017, refer to Note 4.9 for further information.

2.4 Trade and other assets

Accounting policy

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

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

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

Impairment

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

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

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

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

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

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

Determination of fair value

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

Trade and other assets can be analysed as follows:

	2017	Restated 2016
	$'000	*$'000*
Current		
Rent receivables	**1,335**	1,392
Prepayments	**4,756**	3,815
Proceeds from sale of investment properties	**4,800**	-
	10,891	5,207

Impaired rent receivables

As at 30 June 2017, there were no impaired rent receivables (2016: nil).

2.5 Trade and other liabilities

Accounting policies

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

Trade and other liabilities can be analysed as follows:

	2017	2016
	$'000	*$'000*
Trade payables	**2,350**	620
Non-trade payables	**586**	519
GST payable	**2,040**	2,001
Accrued expenses - other	**23,453**	17,580
Prepaid rent	**20,321**	18,258
	48,750	38,978

2.6 Cash flow information

Accounting policies

Cash and cash equivalents

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

Cash flow information

	2017	Restated 2016
	$'000	*$'000*
(a) Reconciliation of cash at end of year		
Cash and cash equivalents balance	**31,459**	70,661
(b) Reconciliation of net operating profit to net cash inflow from operating activities		
Net profit for the period	**278,090**	219,377
Fair value adjustment to investment property	**(118,157)**	(91,691)
Loss on sale of investment properties	**1,123**	-
Unrealised profit on assets held for sale	**-**	(163)
Fair value adjustment to derivatives	**(16,161)**	(4,647)
Loss on settlement of derivatives	**13,779**	10,471
Amortisation of borrowing costs	**2,412**	1,685
Interest received	**(501)**	(559)
Depreciation	**162**	128
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
– Increase in lease incentives and leasing costs	**(7,304)**	(4,892)
– Increase in receivables	**(5,141)**	(5,049)
– Increase in prepayments	**(2,612)**	(3,385)
– Increase in deferred tax asset	**(221)**	(210)
– Increase in payables	**16,031**	12,757
Net cash inflow from operating activities	**161,500**	133,822

Section 3: Capital structure and financing costs

in this section ...

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

3.1 Interest bearing liabilities

Accounting policies

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

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

Interest bearing liabilities

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

	Opening balance 1 July 2016	Movement during period	**Balance as at 30 June 2017**	Facility limit	Maturity
	$'000	*$'000*	*$'000*	*$'000*	
Secured loans					
Syndicated bank facility					
– Facility A	255,000	(255,000)	**-**	-	N/A
– Facility B	255,000	(155,000)	**100,000**	100,000	Dec-18
– Facility C	188,272	56,728	**245,000**	245,000	Dec-19
– Facility D	-	52,144	**52,144**	70,000	Dec-19
– Facility E	100,000	-	**100,000**	100,000	Jun-19
– Facility G	-	150,000	**150,000**	150,000	Sep-21
– Facility I	-	-	**-**	75,000	Nov-20
– Facility H	-	-	**-**	75,000	Sep-20
Loan note 1	200,000	-	**200,000**	200,000	Mar-25
Loan note 2	100,000	-	**100,000**	100,000	Dec-22
Loan note 3	60,000	-	**60,000**	60,000	Dec-22
Fixed bank facility 1	90,000	-	**90,000**	90,000	Dec-22
USPP 1	-	130,344	**130,344**	130,344	Jun-27
USPP 2	-	52,138	**52,138**	52,138	Jun-29
USPP 3	-	26,000	**26,000**	26,000	Jun-29
Total loans	1,248,272	57,354	**1,305,626**	1,473,482	
Less unamortised upfront costs	(6,046)	(200)	**(6,246)**		
Total interest bearing liabilities	1,242,226	57,154	**1,299,380**		

During the year, the Group issued debt into the United States Private Placement (USPP) market, with two of the tranches denominated in United States Dollars (USD). These amounts and the interest payable on them have been converted to Australian Dollars (AUD) via the Group entering into Cross Currency Swaps (CCS).

The weighted average all-in interest rate (including bank margin and amortisation of upfront fees paid) at 30 June 2017 was 4.29% per annum (2016: 4.13% per annum). Refer to note 3.3 for details on interest rate and cross currency swaps.

3.1 Interest bearing liabilities (cont.)

Interest bearing liabilities (cont.)

Fair value

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

Assets pledged as security

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

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

	2017	Restated 2016
	$'000	*$'000*
Current		
Floating charge		
Cash and cash equivalents	**31,459**	70,661
Receivables	**10,891**	5,207
Assets held for sale	**103,500**	151,688
	145,850	227,556
Non-current		
First mortgage		
Investment properties	**3,180,275**	2,651,145
Floating charge		
Plant and equipment	**1,197**	195
Deferred tax assets	**929**	709
Total non-current assets pledged as security	**3,182,401**	2,652,049
Total assets pledged as security	**3,328,251**	2,879,605

3.2 Borrowing costs

Accounting policies

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

Borrowing costs can be analysed as follows:

	2017	2016
	$'000	*$'000*
Bank interest expense and charges	**52,821**	43,297
Amortisation of borrowing costs	**2,411**	1,685
	55,232	44,982

3.3 Derivative financial instruments

Accounting policies

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

Interest rate and cross currency swaps

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

Determination of fair value

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

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

Derivative financial instruments

Derivative financial instruments can be analysed as follows:

	2017	2016
	$'000	*$'000*
Interest rate swap contracts – carried at fair value through profit and loss:		
Total non-current derivative financial instrument assets	**121**	-
Total non-current derivative financial instrument liabilities	**(6,440)**	15,353
	(6,319)	15,353

Instruments used by the Group

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

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

Swaps in effect at 30 June 2017 covered 25% (30 June 2016: 29%) of the loan principal outstanding. With total fixed interest rate debt of $984 million outstanding (30 June 2016: $450 million), the total fixed interest rate coverage of outstanding principle is 75% (30 June 2016: 65%).

The average fixed interest rate of swaps at 30 June 2017 was 2.30% per annum (2016: 3.06% per annum) and the variable interest rate (excluding bank margin) is 1.68% per annum (30 June 16: 1.89% per annum) at balance date. See table below for further details of swaps in effect at 30 June 2017:

Counter Party	**Amount of Swap**	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*%*	*Years*
Interest rate swaps				
NAB	**25,000**	Jun-2020	2.36%	3.0
CBA	**75,000**	Jun-2020	2.20%	3.0
CBA	**25,000**	Jun-2020	2.36%	3.0
ANZ	**50,000**	Dec-2020	2.42%	3.5
Westpac	**50,000**	May-2021	2.10%	3.9
Westpac	**50,000**	Jun-2021	2.48%	4.0
ANZ	**50,000**	Jun-2021	2.33%	4.0
Total / Weighted average	**325,000**		2.30%	3.5

3.3 Derivative financial instruments (cont.)

Derivative financial instruments (cont.)

Instruments used by the Group (cont.)

Interest rate swap contracts – carried at fair value through profit and loss (cont.)

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 $6,319,000 (30 June 16: liabilities of $15,353,000) for the Group. In the year ended 30 June 2017 there was a gain from the increase in fair value of $16,161,000 for the Group (2016: gain of $4,647,000).

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

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		%	Years
Cross Currency Swaps				
NAB	**32,586**	Jun-2027	5.29%	10.0
Westpac	**32,586**	Jun-2027	5.29%	10.0
ANZ	**32,586**	Jun-2027	5.27%	10.0
CBA	**32,586**	Jun-2027	5.26%	10.0
NAB	**13,034**	Jun-2029	5.47%	12.0
Westpac	**13,034**	Jun-2029	5.47%	12.0
ANZ	**13,034**	Jun-2029	5.45%	12.0
CBA	**13,034**	Jun-2029	5.44%	12.0
Total / Weighted average	**182,482**		5.33%	10.5

Fair value hierarchy

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

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

	Level 1	Level 2	Level 3	**Total**
	$'000	$'000	$'000	$'000
30 June 2017				
Derivative financial assets	-	(121)	-	**(121)**
Derivative financial liabilities	-	6,440	-	**6,440**
	-	6,319	-	**6,139**
30 June 2016				
Derivative financial liabilities	-	15,353	-	**15,353**
	-	15,353	-	**15,353**

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

3.4 Financial risk management

Overview

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

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

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

Risk management framework

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

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

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

30 Refer to page 30 of the Group's 2017 Sustainability Report for more details.

Financial instruments used by the Group

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

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

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

Derivative financial instruments – interest rate swaps

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

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

Derivative financial instruments – cross currency swaps

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

3.4 Financial risk management (cont.)

Financial instruments used by the Group (cont.)

Credit risk

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

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

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

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

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

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

Net fair values

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

Market risk

Market risk is the risk that counterparties to the Group's floating rate debt change the rate at which interest is charged on that debt due to underlying changes in the debt market.

A potential market risk to the Group arises from changes in interest rates relating to its Syndicated Facility amounting to $647,144,000 at balance sheet date (2016: $798,272,000).

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	**2017**	2016
		$'000	*$'000*
Financial assets			
Cash and cash equivalents	Floating	**31,459**	70,661
Derivative financial instruments	Floating	**121**	-
		31,580	70,661
Financial liabilities			
Derivative financial instruments	Floating	**6,440**	15,353
Interest bearing liabilities – fixed debt	Fixed	**658,482**	450,000
Interest bearing liabilities – hedged (i)	Fixed	**325,000**	360,000
Interest bearing liabilities – unhedged	Floating	**322,144**	438,272
		1,312,066	1,263,625

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

3.4 Financial risk management (cont.)

Financial instruments used by the Group (cont.)

Market risk (cont.)

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date. At 30 June 2017, 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) 2017	2016
	$'000	*$'000*
+100 bps		
Cash and borrowings	**(2,907)**	(3,676)
Interest rate derivatives	**(9,032)**	5,895
Cross currency derivatives	**(3,055)**	-
	(14,994)	2,219
-100 bps		
Cash and borrowings	**2,907**	3,676
Interest rate derivatives	**14,549**	(4,170)
Cross currency derivatives	**14,077**	-
	31,533	(494)

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.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations in relation to investment activities or other operations of the Group. The Group manages its liquidity risk by ensuring that on a daily basis there is sufficient cash on hand or available loan facilities to meet the contractual obligations of financial liabilities as they fall due. The Board sets budgets to monitor cash flows. In addition, the Company, as an Australian Financial Services Licensee, is required to prepare a rolling 12 month cashflow projection approved by the Directors. As at the balance sheet date, the Group had cash and cash equivalents totalling $31,459,000 (2016: $70,661,000).

Financing arrangements

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

	2017	2016
	$'000	*$'000*
Syndicated bank facility		
Total facility	**815,000**	925,000
Used at balance date	**647,144**	798,272
Unused at balance date	**167,856**	126,728
Fixed debt		
Total facility	**658,482**	450,000
Used at balance date	**658,482**	450,000
Unused at balance date	**-**	-
Total unused bank facilities	**167,856**	126,728

3.4 Financial risk management (cont.)

Financial instruments used by the Group (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 2017.

	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*
2017						
Non-derivative financial liabilities						
Bank loans and Loan Notes	1,305,626	1,320,005	(148,157)	63,436	231,727	1,172,999
Trade and other liabilities	100,688	100,688	95,787	4,901	-	-
	1,406,314	1,420,693	(52,370)	68,337	231,727	1,172,999
Derivative financial liabilities						
Interest rate swaps used for hedging	6,440	4,508	1,208	1,113	2,187	-
	6,440	4,508	1,208	1,113	2,187	-
2016						
Non-derivative financial liabilities						
Bank loans	1,248,272	1,504,946	224,606	22,661	128,903	1,128,776
Trade and other liabilities	81,282	81,282	77,547	3,439	-	296
	1,329,554	1,586,228	302,153	26,100	128,903	1,129,072
Derivative financial liabilities						
Interest rate swaps used for hedging	15,353	22,295	2,420	2,542	17,333	-
	15,353	22,295	2,420	2,542	17,333	-

3.5 Contributed equity and reserves

Accounting policies

Share capital

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

Distributions and dividends

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

3.5 Contributed equity and reserves (cont.)

Contributed equity

Contributed equity can be analysed as follows:

	2017	**2017**	2016	2016
	No. ('000)	*$'000*	*No. ('000)*	*$'000*
Opening balance at 1 July	**583,126**	**1,414,012**	569,028	1,376,011
Issue of ordinary stapled securities during the year:				
Securities issued on acquisition of assets	**44,380**	**139,808**	-	-
Distribution reinvestment plans	**33,528**	**105,928**	13,791	40,132
Securities issued through Employee Incentive Plans	**307**	**-**	307	-
Costs of raising capital	**-**	**(6,013)**	-	(2,131)
	78,215	**239,723**	14,098	38,001
Closing balance at 30 June	**661,341**	**1,653,735**	583,126	1,414,012

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 2016 distribution of the Group but not the 30 June 2017 distribution.

Capital risk management

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

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

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

- The Distribution Reinvestment Plan was in operation for the 31 December 2016 distribution and was underwritten, raising a total of $63,732,000 for this issue of 19,916,215 new stapled securities.
- In December 2016, Moody's confirmed the Group's independent credit rating of Baa2 on senior secured debt with a stable outlook.
- In June 2017, the Group entered into AUD208 million of new USPP debt facilities with nine new financiers across three tranches:
  - USD100 million (approx. AUD130 million) with a tenor of 10 years, maturing in June 2027
  - USD40 million (approx. AUD52 million) with a tenor of 12 years, maturing in June 2029
  - AUD26 million with a tenor of 12 years, maturing in June 2029
- The USPP debt was fully fixed to maturity at a weighted average interest rate of 5.34% per annum. Proceeds were initially used to repay existing bank debt.
- In June 2017, the Board altered its target fixed/hedged debt to drawn debt range, expanding it from 75% - 100% to 65% - 100%. This provides more flexibility to Growthpoint and matches the requirements of its existing debt facilities.
- In addition to the fixed debt issue outlined above, the Group reorganised its interest rate swaps by terminating $210 million of existing swaps and entering into $175 million of new interest rate swaps to keep the percentage of fixed debt within its target range of 65%-100% at that time.
- As at 30 June 2017 the Group had total debt facilities of $1,473,482,000 of which $167,856,000 was undrawn at balance date.

3.5 Contributed Equity and reserves (cont.)

Capital risk management (cont.)

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.

The Group has a target gearing range of 35%-45%. At 30 June 2017, the gearing ratio was 39.0% (30 June 16: 43.1%). The gearing ratios at 30 June 2017 and 30 June 2016 were calculated as follows:

	2017	Restated 2016
	$'000	*$'000*
Total interest bearing liabilities	**1,299,380**	1,242,226
Total assets	**3,328,372**	2,879,605
Gearing ratio	**39.0%**	43.1%

Nature and purpose of reserves

Share-based payments reserve

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

Deferred tax expense charged to equity

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

Profits reserve

The profits reserve comprises the transfer of net profit in the Company for the year (if any) and contains profits available for distribution as dividends in future years. There were no dividends distributed from the profits reserve during the year (2016: nil).

3.6 Distributions

Period for distribution	**Total distribution**	Total stapled securities	Distributions per stapled security
	$'000	*('000)*	*(cents)*
Half year to 31 December 2016	**67,991**	641,424	10.60
Half year to 30 June 2017	**72,086**	661,340	10.90
Total distribution for FY17	**140,077**		21.50
Half year to 31 December 2015	**58,072**	569,335	10.20
Half year to 30 June 2016	**60,062**	583,126	10.30
Total distribution for FY16	**118,134**		20.50

3.7 Earnings per stapled security ("EPS")

Earnings per stapled security

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.

		2017	Restated 2016
Profit attributable to equity holders of the Group	$	**278,090,000**	219,377,000
Weighted average number of stapled securities on issue for the year	No.	**651,245,952**	576,154,817
Basic & diluted earnings per stapled security	Cents	**42.7**	38.1

3.8 Share-based payment arrangements

Accounting policies

Share-based payment transactions

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

Determination of fair values

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

Share-based payment arrangements

At 30 June 2017, the Group has the following share-based payment arrangements:

Employee Incentive Plans FY14, FY15, FY16, FY17

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. 46 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 46 (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 first 20 trading days in September prior to the vesting date of the first tranche of each plan.

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

3.8 Share-based payment arrangements (cont.)

Share-based payment arrangements (cont.)

Employee Incentive Plans FY14, FY15, FY16, FY17 (cont.)

During the year, the first tranche of the FY16, the second tranche of the FY15 and third tranche of the FY14 Employee Incentive Plan performance rights was determined with the results shown on the table below:

Plan identification	Plan participants	Tranche	Cost
			$
FY16 Plan	Director	1	**85,001**
FY16 Plan	Employees	1	**114,132**
FY15 Plan	Director	2	**131,985**
FY15 Plan	Employees	2	**142,955**
FY14 Plan	Director	3	**131,081**
FY14 Plan	Employees	3	**128,320**

The first tranche of the FY16 Employee Incentive Plan performance rights vested during the year.

The fair value of performance rights under the FY17 Employee Incentive Plan was determined on the grant date of those rights and then "trued-up" at 30 June 2017 where allowed. The fair value of these rights for directors is estimated at $552,240 and for other employees $945,574. This estimate is based on achieving 78.0% of the maximum payable under the 2017 plan. This is seen as a reasonable estimate of fair value as it is based on the percentage achieved for comparable elements from the 2015 plan, adjusted for information available on likely achievement as at 30 June 2017. The actual costs of performance rights cannot be determined until FY18 and the first issue of securities under the 2017 plan will not occur until FY18.

During the year, $1,319,000 was recognised in the share based payments reserve (June 16: $1,138,000). 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 2017, where those values can be determined. It also outlines the value of performance rights that were issued as stapled securities in the Group.

Plan identification	Plan participants	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during FY17
			$	No.	$	%
FY16 Plan	Director	29-Nov-16	85,001	26,235	N/A	25
FY16 Plan	Other employees	18-Oct-16	114,132	35,226	N/A	25
FY15 Plan	Director	29-Nov-16	131,985	40,736	N/A	25
FY15 Plan	Other employees	18-Oct-16	142,955	44,122	N/A	25
FY14 Plan	Director	18-Oct-16	131,081	40,457	N/A	25
FY14 Plan	Other employees	18-Oct-16	128,320	39,605	N/A	25
FY13 Plan	Director	18-Oct-16	138,040	42,605	-	25
FY13 Plan	Other employees	18-Oct-16	122,538	37,820	-	25

Section 4: Other notes

4.1 Key Management Personnel compensation

Accounting policies

Employee benefits - Defined contribution plans

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

Employee benefits - Termination benefits

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

Employee benefits - Short-term benefits

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

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

Compensation

The Key Management Personnel compensation comprised:

	2017	2016
	$	*$*
Short-term employee benefits	**3,715,568**	3,840,553
Post-employment benefits	**155,796**	154,035
Share-based payments	**1,024,316**	946,193
	4,895,680	4,940,781

Individual directors and executive's 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.

4.1 Key Management Personnel compensation (cont.)

Compensation (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:

2017

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

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

2016

Security holder	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	-	4,900	-	144,707
N. Sasse	1,249,950	-	43,812	-	1,293,762
E. de Klerk	1,308,721	-	45,871	-	1,354,592
T. Collyer	468,511	157,101	-	-	625,612
F. Marais	129,896	-	4,555	-	134,451
A. Hockly	68,434	35,482	3,642	-	107,558
D. Andrews	87,990	32,861	-	-	120,851
M. Green	86,525	32,399	-	(86,525)	32,399
G. Tomlinson	57,323	-	2,009	-	59,332
M. Brenner	7,000	-	245	-	7,245

During the year to 30 June 2016, a total of 257,843 stapled securities with a total value of $804,465 were issued to Key Management Personnel upon vesting of performance rights under Employee Incentive Plans.

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.

4.2 Related party transactions

Responsible Entity

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

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

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

Director transactions

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

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

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

Director	Transaction	2017	2016
		$	$
G. Jackson (i)	Valuation	52,150	33,142

(i) The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value 7 properties (2016: 6). Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms and Mr Jackson was not directly involved in the Group's engagement of m3property. The expense of valuation services provided by m3property represented 11% of the total valuation expense for the year (2016: 9%)

At 30 June 2017, $11,500 was payable for valuation services (2016: $13,642).

Transactions with significant shareholders

During the year, the ultimate parent entity, Growthpoint Properties Limited, provided underwriting for the December 2016 DRP. No fees were charged for this underwriting and Securityholder approval was obtained at the November 2016 Annual General Meeting for this underwriting. (FY16: no transactions).

There were no balances outstanding from transactions with significant shareholders as at 30 June 2017 (2016: nil).

4.3 Taxation

Accounting policies

Income Tax

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

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

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

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

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

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.

4.3 Taxation (cont.)

Income tax expense

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

Income tax expense:

	2017	2016
	$'000	$'000
Current tax expense	217	577
Deferred tax benefit	(185)	(159)
Over provision from prior year	18	-
	50	418

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

	2017	2016
	$'000	$'000
Profit / (loss) before income tax expense	(1,184)	243
Income tax (benefit)/expense using the Company's domestic rate of 30%	(355)	73
Increase in income tax due to:		
Non-deductible expenses	405	345
Prior year losses now recognised	-	-
Change in unrecognised temporary differences	-	-
Over provision of prior year income tax	-	-
	50	418
The applicable weighted average effective tax rate for the Company is as follows (i):	-	172%

(i) The weighted average effective tax rate for FY 17 is not meaningful as there is a loss before tax expenses but for tax purposes there is a profit - the calculation based on the figures in the table provides a negative tax rate which is not meaningful.

As at 30 June 2017, the Company had franking credits of $2,473,384 available to it (30 June 2016: $1,301,001).

Movement in temporary differences during the year

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

4.3 Taxation (cont.)

Income tax expense (cont.)

Movement in temporary differences during the year (cont.)

	Opening balance 1 July 2015	Charged to profit and loss	Charged to equity	**Balance 30 June 2016**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Equity raising costs	60	(42)	51	**69**
Total	60	(42)	51	**69**
Current liabilities:				
Accrued expenses	53	93	-	**146**
Employee benefits	349	122	-	**471**
Prepayments	37	(14)	-	**23**
Total	439	201	-	**640**
Total movement in temporary differences	499	159	51	**709**

4.4 Contingent liabilities

The Group has no contingent liabilities as at the date of this report (2016: nil).

4.5 Commitments

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

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

4.6 Controlled entities

Accounting policies

Basis of consolidation

Subsidiaries

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

Transaction eliminated on consolidation

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

4.6 Controlled entities (cont.)

Controlled entities

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

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

(i) Indicates entities established or purchased during the financial year ended 30 June 2017.

4.7 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2017 the parent of the Group was Growthpoint Properties Australia Trust.

	2017	Restated 2016
	$'000	*$'000*
Result of the parent entity		
Profit for the period	**279,324**	219,552
Other comprehensive expense	**(140,077)**	(118,134)
Total comprehensive income for the period	**139,247**	101,418
Financial position of the parent entity at year end		
Current assets	**128,649**	245,874
Total assets	**3,308,924**	2,897,018
Current liabilities	**164,530**	136,967
Total liabilities	**1,470,229**	1,394,546
Net assets	**1,838,695**	1,502,472
Total equity of the parent entity comprising:		
Contributed equity	**1,595,415**	1,364,011
Retained profits	**243,280**	138,461
Total equity	**1,838,695**	1,502,472

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

4.8 Remuneration of auditors

During the year to 30 June 2017 the following fees were paid or payable for services provided by the auditor of the Group:

	2017	2016
	$	*$*
Audit services - KPMG		
Audit and review of financial statements	**124,522**	154,324
Other regulatory audit services	**58,728**	58,276
Non-audit services - KPMG		
Other assurance and due diligence services	**9,600**	86,943
	192,850	299,543

4.9 Subsequent events

Assets held for sale

On 7 July 2017, the Group transacted and settled 1231-1241 Sandgate Road, Nundah, QLD, at a sale price of $106,250,000 with the net proceeds used to pay down existing debt.

Purchase of stake in Industria REIT ("IDR")

On 11 July 2017, the Group acquired an 18.2% interest in IDR for approximately $68.1 million, representing $2.30 per IDR security. The acquisition was funded from undrawn debt facilities.

Acquisition of industrial portfolio

On 13 July 2017, the Group announced that it has exchanged contracts for the acquisition of four adjoining, modern industrial warehouses at Lot 11 and Lot 1, Part Lot 9, Tarlton Crescent and Lot 6 and Lot 7, Hugh Edwards Drive, Perth Airport, WA for $46 million, providing an initial passing yield of 8.13%. The acquisition will be initially funded from debt available under existing undrawn facilities.

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