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 FY19 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 ("the Trust"). In this report, the Company and the Trust include all of their controlled entities. 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 2019. 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.

Working capital deficiency

The Group has unutilised debt facilities of $245.7 million and sufficient working capital and cashflows in order to fund all requirements arising from the net current asset deficiency of $101.2 million as at 30 June 2019. The deficiency is largely driven by the provision for the 30 June 2019 distribution.

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 22 August 2019.

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 dollars unless otherwise stated.

Notes to the Financial Statements
continued

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 2.4 – 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 accounting standards amendments adopted by the Group

The Group applied the following accounting standards amendments that became mandatory for the first time during the reporting period:

IFRS 9 *Financial Instruments* addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It has also introduced revised rules for hedge accounting and impairment. IFRS 9 has been applied retrospectively by the Group and did not result in a change to the classification or measurement of the Group's financial instruments. Consequently, the application of IFRS 9 has no material impact on the Group's consolidated financial statements.

IFRS 15 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that applies to most contracts with customers, with some exceptions. The Group's main source of income includes rental income, interest and gains on financial instruments held at fair value through profit or loss, which are all excepted from the scope of IFRS 15. The application of IFRS 15 has no material impact on the Group's consolidated financial statements.

New Standards and interpretations not yet adopted

IFRS 16 *Leases* (effective from 1 January 2019) contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors.

Based on the Group's assessment, it is expected that the adoption of IFRS 16 for the year ending 30 June 2020, will have a material impact on the transactions and balances recognised in the financial statements, in particular:

- Lease liabilities arising from leasehold arrangements which are currently recognised as a component of Investment Properties will be separately disclosed in the Statement of Financial Position. As a result on the balance sheet, the total increase to the related investment property assets and lease liabilities to be approximately $100 million respectively (based on the facts at the date of the assessment).
- An operating lease arrangement where the total increase in the lease assets and financial liabilities on the balance sheet to be less than $2 million respectively (based on the facts at the date of the assessment).
- Profit before income tax for the 12 months to 30 June to decrease by less than $1.25 million.

Notes to the Financial Statements
continued

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 properties, 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*
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019			
Revenue, excluding straight line lease adjustment	173,852	97,105	**270,957**
Property expenses	(29,079)	(16,525)	**(45,604)**
Net Property Income Segment results	144,773	80,580	**225,353**
Loss on sale of investment properties	(1,144)	–	**(1,144)**
Net changes in fair value of investment properties	138,763	62,818	**201,581**
Segment results	282,392	143,398	**425,790**
Income not assigned to segments			**22,058**
Expenses not assigned to segments			**(70,082)**
Net profit before income tax			**377,766**

Notes to the Financial Statements
continued

2.1 Revenue and segment information (continued)

Segmental information (continued)

	Office	Industrial	**Total**
	$'000	*$'000*	*$'000*
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018			
Revenue, excluding straight line lease adjustment	158,030	96,209	**254,239**
Property expenses	(25,471)	(15,143)	**(40,614)**
Net Property Income Segment results	132,559	81,066	**213,625**
Profit on sale of investment properties	–	24,419	**24,419**
Net changes in fair value of investment properties	76,461	90,497	**166,958**
Segment results	209,020	195,982	**405,002**
Income not assigned to segments			**20,959**
Expenses not assigned to segments			**(68,159)**
Net profit before income tax			**357,802**

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

Major customer

Revenues from one customer, Woolworths Limited, in the Group's Industrial segment represents $40,090,959 (2018: $41,400,000) 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.

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

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, typically 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 where the parties had each acted knowledgeably and willingly.

In the absence of current prices in an active market, the valuations are prepared by considering the net present value of the estimated cash flows expected from ownership of the property, being 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 types of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, when appropriate, counter-notices, have been served validly and within the appropriate time.

Investment Properties Value

			Latest External Valuation		Consolidated Book Value	
Industrial Properties			Date	Valuation	**30-Jun-19**	30-Jun-18
				$'000	*$'000*	*$'000*
Victoria						
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-19	56,500	**56,500**	77,400
1500 Ferntree Gully Road & 8 Henderson Road	Knoxfield	VIC	30-Jun-19	46,000	**46,000**	44,000
9-11 Drake Boulevard	Altona	VIC	31-Dec-18	35,000	**35,250**	34,500
40 Annandale Road	Melbourne Airport	VIC	30-Jun-19	33,000	**33,000**	34,800
Lots 2, 3 & 4, 34-44 Raglan Street	Preston	VIC	31-Dec-18	29,000	**30,000**	24,500
120-132 Atlantic Drive	Keysborough	VIC	31-Dec-18	26,900	**28,000**	25,250
130 Sharps Road	Melbourne Airport	VIC	31-Dec-18	25,500	**24,750**	25,100
120 Link Road	Melbourne Airport	VIC	31-Dec-18	17,800	**18,000**	17,000
20 Southern Court	Keysborough	VIC	30-Jun-19	15,800	**15,800**	15,800
6 Kingston Park Court	Knoxfield	VIC	30-Jun-19	12,700	**12,700**	12,300
31 Garden Street	Kilsyth	VIC	31-Dec-18	12,150	**12,600**	11,200
60 Annandale Road	Melbourne Airport	VIC	30-Jun-19	12,300	**12,300**	11,700
3 Millennium Court	Knoxfield	VIC	31-Dec-18	12,300	**12,300**	11,500
101-111 South Centre Road	Melbourne Airport	VIC	31-Dec-18	9,000	**9,100**	8,800
19 Southern Court	Keysborough	VIC	30-Jun-19	8,200	**8,200**	8,100
75 Annandale Road	Melbourne Airport	VIC	30-Jun-19	7,900	**7,900**	7,650
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-18	228,000	**232,500**	220,000
13 Business Street	Yatala	QLD	31-Dec-18	13,100	**13,100**	13,750
5 Viola Place	Brisbane Airport	QLD	31-Dec-18	9,900	**9,500**	8,700
3 Viola Place	Brisbane Airport	QLD	31-Dec-18	2,500	**2,500**	2,450

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

Investment Properties Value (continued)

Industrial Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value **30-Jun-19**	Consolidated Book Value 30-Jun-18
				$'000	$'000	$'000
Western Australia						
20 Colquhoun Road	Perth Airport	WA	31-Dec-18	171,000	**175,000**	163,750
2 Hugh Edwards Drive	Perth Airport	WA	30-Jun-19	17,200	**17,200**	17,150
58 Tarlton Crescent	Perth Airport	WA	30-Jun-19	13,700	**13,700**	13,350
10 Hugh Edwards Drive	Perth Airport	WA	30-Jun-19	9,150	**9,150**	8,900
36 Tarlton Crescent	Perth Airport	WA	30-Jun-19	8,500	**8,500**	8,500
New South Wales						
27-49 Lenore Drive	Erskine Park	NSW	30-Jun-19	74,750	**74,750**	68,750
6-7 John Morphett Place	Erskine Park	NSW	31-Dec-18	49,100	**51,750**	46,500
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-18	36,650	**38,000**	34,500
34 Reddalls Road	Kembla Grange	NSW	30-Jun-19	27,000	**27,000**	26,000
81 Derby Street	Silverwater	NSW	31-Dec-18	20,400	**20,400**	18,500
South Australia						
599 Main North Road	Gepps Cross	SA	30-Jun-19	126,000	**126,000**	79,000
1-3 Pope Court	Beverley	SA	30-Jun-19	21,900	**21,900**	22,500
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-18	16,100	**15,850**	15,800
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-18	9,400	**9,400**	9,100
Total Industrial Properties				1,214,400	**1,228,600**	1,146,800

Office Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value **30-Jun-19**	Consolidated Book Value 30-Jun-18
				$'000	$'000	$'000
Victoria						
75 Dorcas Street	South Melbourne	VIC	30-Jun-19	212,500	**212,500**	190,000
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-19	115,000	**115,000**	90,600
109 Burwood Road	Hawthorn	VIC	30-Jun-19	113,500	**113,500**	106,000
Building 3, 570 Swan Street[1]	Richmond	VIC	30-Jun-19	111,000	**111,000**	23,000
Building B, 211 Wellington Road	Mulgrave	VIC	31-Dec-18	73,500	**73,500**	74,000
Building 1, 572-576 Swan Street[1]	Richmond	VIC	31-Dec-18	62,500	**62,500**	59,750
Building C, 211 Wellington Road	Mulgrave	VIC	31-Dec-18	60,000	**60,000**	57,250
Car Park, 572-576 Swan Street	Richmond	VIC	30-Jun-19	1,200	**1,200**	1,200

1. These properties were split into separate titles during the period (previously presented as a combined property).

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

Investment Properties Value (continued)

Office Properties			Latest External Valuation Date	Latest External Valuation Valuation	Consolidated Book Value 30-Jun-19	Consolidated Book Value 30-Jun-18
				$'000	*$'000*	*$'000*
Queensland						
100 Skyring Terrace[1]	Newstead	QLD	31-Oct-18	250,000	**251,000**	–
15 Green Square Close	Fortitude Valley	QLD	30-Jun-19	153,000	**153,000**	144,000
333 Ann Street	Brisbane	QLD	30-Jun-19	137,000	**137,000**	130,000
CB1, 22 Cordelia Street	South Brisbane	QLD	30-Jun-19	103,200	**103,200**	104,500
A1, 32 Cordelia Street	South Brisbane	QLD	31-Dec-18	92,000	**93,750**	84,000
A4, 52 Merivale Street	South Brisbane	QLD	30-Jun-19	86,500	**86,500**	82,500
CB2, 42 Merivale Street	South Brisbane	QLD	31-Dec-18	61,500	**61,500**	60,000
Car Park, 32 Cordelia Street & 52 Merivale Street	South Brisbane	QLD	31-Dec-18	28,000	**29,250**	27,000
South Australia						
33-39 Richmond Road	Keswick	SA	30-Jun-19	63,500	**63,500**	62,000
7 Laffer Drive[2]	Bedford Park	SA	31-Dec-17	19,500	**–**	20,000
New South Wales						
1 Charles Street	Parramatta	NSW	31-Dec-18	346,000	**353,000**	310,000
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-18	130,000	**132,000**	123,500
5 Murray Rose Avenue	Sydney Olympic Park	NSW	31-Dec-18	103,000	**104,000**	100,500
3 Murray Rose Avenue	Sydney Olympic Park	NSW	30-Jun-19	103,000	**103,000**	101,000
102 Bennelong Parkway[3]	Sydney Olympic Park	NSW	30-Jun-19	34,000	**34,000**	–
6 Parkview Drive[3]	Sydney Olympic Park	NSW	30-Jun-19	33,500	**33,500**	–
Tasmania						
89 Cambridge Park Drive[2]	Cambridge	TAS	31-Dec-17	27,000	**–**	26,700
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-19	99,250	**99,250**	93,500
255 London Circuit	Canberra	ACT	31-Dec-18	74,000	**76,000**	74,000
Western Australia						
836 Wellington Road[4]	West Perth	WA	30-Jun-19	92,500	**92,500**	–
Total Office Properties				2,785,650	**2,755,150**	2,145,000
Total investment properties				4,000,050	**3,983,750**	3,291,800

1. This property was acquired on 7 December 2018.
2. These properties were sold in April 2019
3. These properties have been transferred from assets available for sale.
4. This property was acquired on 31 October 2018

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

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 and m3property. The fair value of properties not externally valued as at 30 June 2019 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's accounting and valuation policies.

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 used by the Group in determining fair value were in the following ranges for the Group's portfolio of industrial properties:

	2019	2018
Discount rate	**6.5%-8.3%**	6.8%-8.8%
Terminal yield	**5.5%-9.8%**	6.0%-10.0%
Capitalisation rate	**5.3%-8.4%**	5.8%-8.8%
Expected vacancy period	**3-18 months**	3-12 months
Rental growth rate	**2.5%-3.5%**	2.5%-4.0%

For the office portfolio the following ranges were used:

	2019	2018
Discount rate	**6.5%-8.0%**	6.8%-9.0%
Terminal yield	**5.5%-7.5%**	6.0%-8.5%
Capitalisation rate	**5.0%-7.5%**	5.3%-14.4%
Expected vacancy period	**6-12 months**	6-12 months
Rental growth rate	**3.0%-4.5%**	3.0%–4.5%

Commentary on Discount Rates

Date of Valuation	**30-Jun-19**	30-Jun-18
Weighted average 10-year discount rate used to value the Group's properties	**6.79%**	7.11%
10-year Australian Government bond rate	**1.32%**	2.63%
Implied property risk premium	**5.47%**	4.48%

As the above table shows, over the 12 months to 30 June 2019, discount rates utilised in the valuation of the Group's property portfolio have tightened (ie. lowered). Over the same period, the implied property risk premium has increased by approximately 99 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 increase in the implied property risk premium is in part due to a greater fall in the government bond yield (131 basis points) relative to the reduction in the Group's weighted average discount rate (32 basis points) over the 12 months to 30 June 2019.

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

Commentary on Capitalisation Rates

Office

Transaction volumes within Australian office markets reached historic highs in 2018 and have remained at healthy levels through the first 6 months of 2019 ($12.1 billion)[1]. National markets continue to be characterised by high levels of liquidity, emanating from a diverse range of local and global institutional capital. Return expectations continued to adjust down over the year to 30 June 2019, largely due to persistently low inflation and downward pressure on fixed-income returns. Yield compression was evident in most major office markets, including Melbourne, Sydney, Brisbane and Canberra. Transactional evidence over the past 12 months has demonstrated yield compression of between 12.5 and 50 basis points in most major markets. The weighted average capitalisation rate used in valuing the Group's office portfolio has firmed from 6.0% to 5.7% over the year to 30 June 2019.

Industrial

Industrial yields continued to tighten over the 12 months to 30 June 2019, as domestic and offshore purchasers sought to increase their exposure to the sector given ongoing structural tailwinds (which include infrastructure and supply chain investment including e-commerce). National markets continue to be characterised by strong investment demand, with limited stock available, particularly portfolio opportunities. Eastern seaboard states, particularly NSW and VIC, continue to be the focal point of investor interest, largely due to the extent of investment in new infrastructure projects and rent growth prospects in the medium term. Prime yields are now generally placed between 5.50% and 6.25% for modern, well leased assets with long-term leases, while assets considered 'super prime' (modern assets with lease terms longer than 10 years) are now generally priced at or below 5.00%. Transactional evidence over the past 12 months has provided good evidence for the Group's industrial properties. The weighted average capitalisation rate used to value the Group's industrial portfolio firmed from 6.6% to 6.3% over the year to 30 June 2019.

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 an 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 2019, the following contractual obligations relating to expansions at existing investment property were in place:

> Under an expansion clause in the current lease to Symbion at 120-132 Atlantic Drive, Keysborough, Victoria, the tenant can request a 3,000 sqm expansion at any point during the term of the lease (which currently expires on 20 December 2028). The Group would be responsible for funding this expansion. Upon completion of such expansion works, the lease would be reset 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 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 reset so that at least seven years remained and rent would be charged on a formula utilising the construction costs under the warehouse expansion clause.

The two property expansions detailed above have an estimated aggregate cost of not more than $5.0 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. As at 30 June 2019, the total amount was held as restricted cash and the value spent was nil (see note 2.7).

The Group has entered a building contract with the Hacer Group for the construction of an office building a Building 3, 570 Swan Street, Richmond, Victoria for a contracted sum of $79.3 million. As at 30 June 2019 progress payments had totalled $38.8 million. The project is due for completion in the first quarter of 2020.

1. JLL Research.

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

The Group has entered into contracts with Woolworths Limited to fund the expansion of 599 Main North Road, Gepps Cross, South Australia for approximately $54 million. As at 30 June 2019 progress payments had totalled approximately $11.4 million. The project is due for completion mid-2020. The lease will be reset for 15 years at practical completion.

Amounts recognised in profit and loss for investment properties

	2019	2018
	$'000	*$'000*
Rental income	**270,957**	254,239
Straight line adjustment to rental income	**6,237**	5,962
Net gain from fair value adjustment	**201,581**	166,958
Loss on sale of investment properties	**(1,144)**	24,419
Direct operating expenses from property that generated rental income	**(45,604)**	(40,614)
	432,027	410,964

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:

	2019	2018
	$'000	*$'000*
Within one year	**249,872**	226,109
Later than one year but not later than five years	**723,330**	747,117
Later than five years	**283,959**	345,803
	1,257,161	1,319,029

10 (2018: 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:

	2019	2018
	$'000	*$'000*
Within one year	**3,723**	3,646
Later than one year but not later than five years	**7,294**	8,551
Later than five years	**13**	930
	11,030	13,127

Notes to the Financial Statements
continued

2.2 Investment properties (continued)

Reconciliation of value of investment properties

	2019	2018
	$'000	*$'000*
At fair value		
Opening balance	**3,291,800**	3,180,275
Acquisitions	**361,852**	48,847
Capital expenditure	**12,869**	10,315
Construction and expansion costs	**72,942**	–
Lease incentives and leasing costs	**38,429**	25,934
Amortisation of lease incentives and leasing costs	**(19,337)**	(16,327)
Provision for amortised lease incentives	**(1,685)**	–
Disposals	**(45,188)**	(65,914)
Reclassification (to) / from held for sale	**64,250**	(64,250)
Straight lining of revenue adjustment	**6,237**	5,962
Net gain from fair value adjustment	**201,581**	166,958
Closing balance at 30 June	**3,983,750**	3,291,800

2.3 Investment in securities

Determination of fair value

Investment in securities contains a financial asset designated at fair value through profit or loss at inception. The fair value of investment in securities is the price that would be received to sell this asset in an orderly transaction between market participants at the measurement date. This fair value is based on the last traded market price from the Australian Securities Exchange (ASX) of the relating security at reporting date.

The following table represents the fair value movement in investment in securities for the year ended 30 June 2019.

	Fair value of APN Industria REIT stapled securities
	$'000
Opening balance	78,497
Purchases	–
Sales	–
Closing balance	85,606
Gain in the net change in fair value of investment in securities	7,109

The last traded market price of an APN Industria REIT stapled security on the ASX for 30 June 2019 was $2.89 (30 June 2018: $2.65).

Notes to the Financial Statements
continued

2.4 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 2019, there were no properties classed as held for sale (2018: 2) and their value is shown on the table below:

	2019	2018
	$'000	*$'000*
6 Parkview Drive, Sydney Olympic Park, NSW	–	31,750
102 Bennelong Parkway, Sydney Olympic Park, NSW	–	32,500
Total	–	64,250

2.5 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.

Notes to the Financial Statements
continued

2.5 Trade and other assets (continued)

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:

	2019	2018
	$'000	*$'000*
Current		
Rent receivables	629	538
Distribution receivables	1,259	1,244
Prepayments	3,476	4,801
	5,364	6,583

Impaired rent receivables

As at 30 June 2019, there were no impaired rent receivables (2018: nil).

2.6 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:

	2019	2018
	$'000	*$'000*
Current		
Trade payables	1,358	2,340
Non-trade payables[2]	863	865
GST payable	1,375	1,881
Accrued expenses - other	15,825	12,378
Accrued expenses - development charges	15,045	–
Unearned income	14,318	18,052
Other liabilities[1]	1,324	1,854
	50,108	37,370
Non-current		
Non-trade payables[2]	67	69
	67	69

1. Other liabilities represents an obligation to fund capital expenditure by the Company as the custodian of the Charles Street Property Trust. An equal amount was received and is held as part of restricted cash (see Note 2.7).
2. Current and non-current non-trade payables relate to employee entitlements.

Notes to the Financial Statements
continued

2.7 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.

Restricted cash

The table below summarises a balance, included in cash and cash equivalents, held in restricted cash by the Company as the custodian of the Charles Street Property Trust. These funds are not available for general use by the Group.

	2019	2018
	$'000	*$'000*
Cash received from the tenant	**1,324**	1,854
Cash made available to the tenant	**6,000**	–
	7,324	1,854

Cash flow information

	2019	2018
	$'000	*$'000*
(a) Reconciliation of cash at end of year		
Cash and cash equivalents balance	**30,172**	31,463
(b) Reconciliation of net operating profit to net cash inflow from operating activities		
Net profit for the period	**375,292**	357,709
Income relating to investment property disposals	**185**	–
Distributions from investment in securities	**(5,036)**	(4,886)
Fair value adjustment to investment properties	**(201,581)**	(166,958)
(Profit)/ loss on sale of investment properties	**1,144**	(24,419)
Fair value adjustment to investment in securities	**(7,109)**	(10,368)
Fair value adjustment to derivatives	**(16,974)**	573
Loss on settlement of derivatives	**13,826**	–
Amortisation of borrowing costs	**1,369**	1,583
Interest received	**(529)**	(317)
Depreciation	**269**	293
Change in operating assets and liabilities, net of effects from purchase of controlled entity:		
– Increase in Lease incentives and leasing costs	**(17,238)**	(9,607)
– Decrease/ (Increase) in receivables	**1,154**	5,568
– Increase in prepayments	**393**	(1,308)
– Increase in deferred tax asset	**26**	(104)
– Increase/ (decrease) in payables	**(9,138)**	(9,363)
Net cash inflow from operating activities	**136,053**	138,396

Notes to the Financial Statements
continued

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.

Secured loans	Opening balance 1 July 2018	Movement during period	**Balance as at 30 June 2019**	Facility limit	Maturity
	$'000	*$'000*	*$'000*	*$'000*	
Syndicated bank facility					
– Facility B	100,000	–	**100,000**	100,000	Mar-23
– Facility C	245,000	–	**245,000**	245,000	Dec-21
– Facility D	70,000	–	**70,000**	70,000	Dec-21
– Facility E	100,000	50,000	**150,000**	150,000	Jun-23
– Facility G	30,000	24,300	**54,300**	150,000	Sep-21
– Facility H	–	–	**–**	75,000	Sep-20
– Facility I	–	–	**–**	75,000	Nov-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
USPP 4	–	161,042	**161,042**	161,042	May-29
Total loans	1,203,482	235,342	**1,438,824**	1,684,524	
Less unamortised upfront costs	(5,927)	438	**(5,489)**		
Total interest bearing liabilities	1,197,555	235,780	**1,433,335**		

The weighted average all-in interest rate on interest bearing liabilities (including bank margin and amortisation of upfront fees paid) at 30 June 2019 was 3.87% per annum (2018: 4.44% per annum). Refer to note 3.3 for details on interest rate and cross currency swaps.

Notes to the Financial Statements
continued

3.1 Interest bearing liabilities (continued)

Interest bearing liabilities (continued)

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 and USPP 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:

	2019	2018
	$'000	*$'000*
Current		
Floating charge		
Cash and cash equivalents	**30,172**	31,463
Receivables	**5,364**	6,583
Assets held for sale	**–**	64,250
	35,536	102,296
Non-current		
First mortgage		
Investment properties	**3,983,750**	3,291,800
Floating charge		
Plant and equipment	**692**	930
Deferred tax assets	**1,030**	1,046
Total non-current assets pledged as security	**3,985,472**	3,293,776
Total assets pledged as security	**4,021,008**	3,396,072

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:

	2019	2018
	$'000	*$'000*
Bank interest expense and charges	**54,770**	53,215
Amortisation of borrowing costs	**1,369**	1,582
	56,139	54,797

Notes to the Financial Statements
continued

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 elected not to designate these to qualify for hedge accounting under AASB 9.

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 and counterparty when appropriate.

Derivative financial instruments

Derivative financial instruments can be analysed as follows:

	2019	2018
	$'000	*$'000*
Interest rate swap contracts – carried at fair value through profit and loss:		
Total non-current derivative financial instrument assets	**11,246**	–
Total non-current derivative financial instrument liabilities	**(1,164)**	(6,892)
	10,082	(6,892)

Notes to the Financial Statements
continued

3.3 Derivative financial instruments (continued)

Derivative financial instruments (continued)

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

Interest rate swaps in effect at 30 June 2019 covered 21% (30 June 2018: 27%) of the loan principal outstanding. With total fixed interest rate debt of $958 million outstanding (30 June 2018: $984 million), the total fixed interest rate coverage of outstanding principal is 67% (30 June 2018: 82%).

The average fixed interest rate of interest rate swaps at 30 June 2019 was 1.21% per annum (2018: 2.30% per annum) and the variable interest rate (excluding bank margin) is 1.29% per annum (30 June 18: 1.97% per annum) at balance date. See table below for further details of interest rate swaps in effect at 30 June 2019:

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	Term to Maturity
	$'000		*%*	*Years*
Interest rate swaps				
WBC	**75,000**	Jun-2023	1.15%	4.0
NAB	**25,000**	Jun-2023	1.15%	4.0
ANZ	**100,000**	Jun-2024	1.21%	5.0
ANZ	**100,000**	Jun-2025	1.29%	6.0
Total / Weighted average	**300,000**		1.21%	5.0

These 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. These contracts are settled on a net basis.

At balance date these contracts were a total liabilities with a fair value of $1,074,000 (30 June 18: liabilities of $6,892,000) for the Group. For the year ended 30 June 2019 there was a profit from the increase in fair value of $1,479,000 for the Group (2018: loss of $573,000).

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

Counter Party	Amount of Swap	Swap Expiry	Fixed Rate	3 months BBSW+	Term to Maturity
	$'000		*%*	*%*	*Years*
Cross Currency Swaps					
NAB	**32,586**	Jun-2027	5.29%	–	8.0
Westpac	**32,586**	Jun-2027	5.29%	–	8.0
ANZ	**32,586**	Jun-2027	5.27%	–	8.0
CBA	**32,586**	Jun-2027	5.26%	–	8.0
NAB	**13,034**	Jun-2029	5.47%	–	10.0
Westpac	**13,034**	Jun-2029	5.47%	–	10.0
ANZ	**13,034**	Jun-2029	5.45%	–	10.0
CBA	**13,034**	Jun-2029	5.44%	–	10.0
Westpac	**161,042**	May-2029	–	2.22%	9.9
Total / Weighted average	**343,522**		5.33%	2.22%	9.2

Notes to the Financial Statements
continued

3.3 Derivative financial instruments (continued)

Derivative financial instruments (continued)

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).

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.

	Level 1	Level 2	Level 3	**Total**
	$'000	*$'000*	*$'000*	*$'000*
30 June 2019				
Derivative financial assets	–	(11,246)	–	**(11,246)**
Derivative financial liabilities	–	1,164	–	**1,164**
	–	(10,082)	–	**(10,082)**
30 June 2018				
Derivative financial assets	–	–	–	**–**
Derivative financial liabilities	–	6,892	–	**6,892**
	–	6,892	–	**6,892**

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 oversight of the Framework and monitoring risk management policies and making appropriate recommendations to the Board. The Committee reports regularly to the Board on its activities. In addition, the Managing Director provides a regular report to the Board in relation to risks facing the Group.

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

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

Refer to page 8 of the Group's 2019 **Corporate Governance Statement** for more details.

Notes to the Financial Statements
continued

3.4 Financial risk management (continued)

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 9 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 fluctuations is therefore removed.

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.

Notes to the Financial Statements
continued

3.4 Financial risk management (continued)

Financial instruments used by the Group (continued)

Market risk

Market risk is the risk that changes in market prices (such as foreign exchange rates, interest rates and equity prices) will affect the Group's income or the value of its holding of financial instruments.

A potential market risk to the Group arises from changes in interest rates relating to its Syndicated Facility with a principal amount outstanding of $619,300,000 at balance sheet date (2018: $545,000,000).

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	2019	2018
		$'000	*$'000*
Financial assets			
Cash and cash equivalents	Floating	**30,172**	31,463
Derivative financial instruments	Floating	**11,246**	–
		41,418	31,463
Financial liabilities			
Derivative financial instruments	Floating	**1,164**	6,892
Interest bearing liabilities – fixed debt	Fixed	**658,482**	658,482
Interest bearing liabilities – hedged[1]	Fixed	**300,000**	325,000
Interest bearing liabilities – unhedged	Floating	**480,342**	220,000
		1,439,988	1,210,374

1. Note – hedge accounting has not been adopted.

The following sensitivity analysis is based on the interest rate risk exposures in existence at balance sheet date. At 30 June 2019, 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)	
	2019	2018
	$'000	*$'000*
+100 bps		
Cash and borrowings	**(4,502)**	(1,885)
Interest rate derivatives	**(12,251)**	(8,933)
Cross currency derivatives	**(43,539)**	(2,178)
	(58,092)	(12,996)
-100 bps		
Cash and borrowings	**4,502**	1,885
Interest rate derivatives	**16,660**	13,188
Cross currency derivatives	**(4,311)**	16,566
	16,851	31,639

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.

Notes to the Financial Statements
continued

3.4 Financial risk management (continued)

Financial instruments used by the Group (continued)

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 $30,172,000 (2018: $31,463,000).

Financing arrangements

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

	2019	2018
	$'000	*$'000*
Syndicated bank facility		
Total facility	**865,000**	865,000
Used at balance date	**619,300**	545,000
Unused at balance date	**245,700**	320,000
Fixed debt		
Total facility	**819,524**	658,482
Used at balance date	**819,524**	658,482
Unused at balance date	**–**	–
Total unused bank facilities	**245,700**	320,000

Notes to the Financial Statements
continued

3.4 Financial risk management (continued)

Financial instruments used by the Group (continued)

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 2019.

	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*
2019						
Non-derivative financial liabilities						
Bank loans and Loan Notes	1,438,824	2,068,217	53,991	79,806	354,896	1,579,524
Trade and other liabilities	122,256	122,322	119,170	2,763	389	–
	1,561,080	2,190,539	173,161	82,569	355,285	1,579,524
Derivative financial liabilities						
Interest rate swaps used for hedging	1,164	100	(35)	135	–	–
	1,164	100	(35)	135	–	–
2018						
Non-derivative financial liabilities						
Bank loans	1,203,482	1,903,320	(16,029)	80,935	293,832	1,544,582
Trade and other liabilities	94,731	94,799	93,533	721	545	–
	1,298,213	1,998,119	77,504	81,656	294,377	1,544,582
Derivative financial liabilities						
Interest rate swaps used for hedging	6,892	1,713	873	736	104	–
	6,892	1,713	873	736	104	–

Notes to the Financial Statements
continued

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.

Contributed Equity

Contributed equity can be analysed as follows:

	2019	**2019**	2018	2018
	No. ('000)	*$'000*	*No. ('000)*	*$'000*
Opening balance at 1 July	**675,385**	**1,698,702**	661,341	1,653,735
Issue of ordinary stapled securities during the year:				
Distribution reinvestment plans	**13,047**	**46,708**	13,668	44,967
Securities issued through Employee Incentive Plans	**339**	**–**	376	–
Rights Offer	**39,023**	**135,020**	–	–
Costs of raising capital	**–**	**(1,064)**	–	–
	52,409	**180,664**	14,044	44,967
Closing balance at 30 June	**727,794**	**1,879,366**	675,385	1,698,702

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 not operative for the 31 December 2018 and 30 June 2019 distributions of the Group.

Notes to the Financial Statements
continued

3.5 Contributed Equity and reserves (continued)

Capital risk management

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

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

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

- The Distribution Reinvestment Plan was in operation for the 30 June 2018 distribution, raising a total of $46,708,000 for the issue of 13,046,823 new stapled securities.
- In November 2018, the Group entered into a new bridging bank debt facility with a limit of $150,000,000 and a maturity date of February 2020.
- In November and December 2018, the Group conducted a rights offer and raised $135,020,000 for the issue of 39,023,227 new stapled securities.
- In May 2019, the Group raised $161,042,000 via the USPP market with the loan notes carrying a maturity date of May 2029. The proceeds were used partially to repay and cancel the $150,000,000 bridging loan that had been entered into in November 2018.
- In June 2019 the Group launched an Institutional Placement and a follow-on Security Purchase Plan. The proceeds and issue of securities were post balance date events (refer to Note 4.9) but raised $173,600,000 for the issue of 43,717,000 new stapled securities.

The Group also holds an independent credit rating to aid it accessing debt capital markets. In April 2019, Moody's confirmed the Group's independent credit rating of Baa2 on senior secured debt with a stable outlook.

The Group maintains undrawn debt facilities to aid in capital management. As at 30 June 2019, the Group had total debt facilities of $1,684,524,000 of which $245,700,000 was undrawn at balance date.

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

The Group has a target gearing range of 35% to 45%. At 30 June 2019, the gearing ratio was 34.3% (30 June 18: 33.9%). The gearing ratios at 30 June 2019 and 30 June 2018 were calculated as follows:

	2019	2018
	$'000	*$'000*
Total interest bearing liabilities less cash	**1,403,163**	1,166,092
Total assets less cash	**4,087,688**	3,443,415
Gearing ratio	**34.3%**	33.9%

Nature and purpose of reserves

Share-based payments reserve

The share-based payments reserve comprises the transfer of the portion of the fair value of the total cost recognised under the Employee Incentive Plans in operation and is the portion of the fair value of the total cost recognised of the unissued securities, which remain conditional on employment with the Group at the relevant vesting date. Refer to Note 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 (2018: nil).

Notes to the Financial Statements
continued

3.6 Distributions to Securityholders

Period for distribution	Total distribution	Total stapled securities	Distributions per stapled security
	$'000	*('000)*	*(cents)*
Half year to 31 December 2018	82,963	727,749	**11.40**
Half year to 30 June 2019	84,424	727,794	**11.60**
Total distribution for FY19	167,387		**23.00**
Half year to 31 December 2017	72,789	661,716	**11.00**
Half year to 30 June 2018	75,643	675,384	**11.20**
Total distribution for FY18	148,432		**22.20**

3.7 Earnings per stapled security ("EPS")

Earnings per stapled security

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

		2019	2018
Profit attributable to equity holders of the Group	*$*	**375,292,000**	357,709,000
Weighted average number of stapled securities on issue for the year	*No.*	**709,028,481**	668,456,752
Basic & diluted earnings per stapled security	*Cents*	**52.9**	53.5

Notes to the Financial Statements
continued

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.

Share-based payment arrangements

At 30 June 2019, the Group has two share-based payment schemes being:

(a) Short-term Performance Rights

The Group introduced a plan applicable to FY19 and each year thereafter where any Short-term Incentive (STI) payable to Executive KMP would be paid as 66.6% cash with the remainder deferred and awarded as Short-term Performance Rights. Half of these rights will vest after one year and half after two years following the date of issue. The operation of this plan, the performance measures and the achievement against those measure are described in full on pages 37-38 (in the remuneration report section of the Directors' report).

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(b) Long-term Employee Incentive Plans FY16, FY17, FY18 and FY19

The Group has introduced Long-term Employee Incentive Plans for all employees (including the Managing Director). The plans are designed to link employees' remuneration with the long-term goals and performance of the Group and the maximisation of wealth for its Securityholders. The measures for the plans are reviewed regularly by the Nomination, Remuneration & HR Committee and/or the Board. The various types of Long-term Employee Incentive Plans in place, how they operate, the applicable performance measures and how fair values are calculated are described in full on pages 39-44 (in the remuneration report section of the Directors' report).

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The table below shows the movement in rights under each type of share-based payment scheme:

	Short-term Performance Rights	Long-term Performance Rights	**Total**
	No.	*No.*	*No.*
Rights outstanding 1 July 2017	–	1,032,214	**1,032,214**
Rights granted during FY18	–	–	**–**
Rights forfeited during FY18	–	(4,580)	**(4,580)**
Rights converted to GOZ stapled securities in FY18[1]	–	(375,894)	**(375,894)**
Rights outstanding at 30 June 2018	–	651,740	**651,740**
Rights outstanding 1 July 2018	–	651,740	**651,740**
Rights granted during FY19	160,917	470,306	**631,223**
Rights forfeited during FY19	–	(24,865)	**(24,865)**
Rights converted to GOZ stapled securities in FY19[2]	–	(294,125)	**(294,125)**
Rights outstanding at 30 June 2019	160,917	803,056	**963,973**

During the year, $916,000 was recognised in the share-based payments reserve (June 18: $1,229,000). This represents the amounts recognised under the 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.

1. 320,793 rights under the FY14, FY15, FY16 and FY17 Long-term Employee Incentive Plans were converted to Growthpoint stapled securities on 4 October 2017 with a total value of $1,020,113. A further 55,104 rights under the FY17 Long-term Employee Incentive Plan were converted to Growthpoint stapled securities on 23 November 2017 with a total value of $175,230
2. Rights under the FY15, FY16 and FY17 Long-term Employee Incentive Plans were converted to Growthpoint stapled securities on 30 October 2018 with a total value of $1,128,941

Notes to the Financial Statements
continued

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 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:

	2019	2018
	$	*$*
Short-term employee benefits	**3,321,863**	4,530,409
Other long-term employee benefits	**-**	9,368
Post-employment benefits	**123,913**	144,412
Share-based payments	**1,316,388**	913,548
	4,762,164	5,597,737

Individual directors' and executives' compensation disclosures

Information regarding individual directors' and executives' 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.

Notes to the Financial Statements
continued

4.1 Key management personnel compensation (continued)

Compensation (continued)

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:

2019

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	No.	No.	No.	No.
G. Jackson	170,309	–	19,778	–	190,087
N. Sasse	1,520,087	–	136,373	–	1,656,460
E. de Klerk	1,601,804	–	151,053	–	1,752,857
T. Collyer	953,492	122,075	60,940	(250,000)	886,507
F. Marais	150,322	–	18,962	-	169,284
D. Andrews	85,815	35,020	6,847	-	127,682
M. Green	45,201	35,293	4,561	(80,494)	4,561
G. Tomlinson	81,467	–	7,309	–	88,776
M. Brenner	7,245	–	–	–	7,245
J. Sukkar	–	–	14,000	–	14,000

During the year to 30 June 2019, a total of 192,388 stapled securities with a total value of $611,794 were issued to key management personnel upon vesting of performance rights under Employee Incentive Plans.

2018

Securityholder	Opening securities 1 July	Securities granted as compensation	Acquired securities	Disposed securities	Closing securities 30 June
	No.	No.	No.	No.	No.
G. Jackson	164,799	–	5,510	–	170,309
N. Sasse	1,470,908	–	49,179	–	1,520,087
E. de Klerk	1,549,983	–	51,821	–	1,601,804
T. Collyer	790,960	162,532	–	–	953,492
F. Marais	150,322	–	–	–	150,322
A. Hockly[1]	–	45,005	–	–	45,005
D. Andrews	42,257	43,558	–	–	85,815
M. Green	47,370	43,831	–	(46,000)	45,201
G. Tomlinson	78,831	–	2,636	–	81,467
M. Brenner	7,245	–	–	–	7,245
J. Sukkar	–	–	–	–	–

1. A. Hockly was not considered a KMP in FY19.

During the year to 30 June 2018, a total of 294,926 stapled securities with a total value of $937,865 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.

Notes to the Financial Statements
continued

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	**2019**	2018
		$	*$*
G. Jackson[1]	Investment property valuation	85,525	68,720
G. Jackson[1]	Statutory valuation	15,010	–
Aggregate amounts payable at the reporting date		30,525	26,500

1. The Group used the valuation services of m3property, a company that Mr Jackson is a director of, to independently value 12 properties (2018: 12). The Group has also used m3property for statutory valuations reviews during the year. 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.

Transactions with significant shareholders

During the year there were no transactions with significant shareholders.

There were no balances outstanding from transactions with significant shareholders as at 30 June 2019 (2018: 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 and its controlled entities, 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.

Notes to the Financial Statements
continued

4.3 Taxation (continued)

Accounting policies (continued)

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.

Income tax expense

The tables below relate to income tax for the Company and its controlled entities only.

Income tax expense:

	2019	2018
	$'000	*$'000*
Current tax expense	**2,449**	210
Deferred tax benefit	**25**	(117)
	2,474	93

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

	2019	2018
	$'000	*$'000*
Profit / (loss) before income tax expense	7,264	(960)
Income tax (benefit) / expense using the Company's domestic rate of 30%	2,179	(288)
Increase in income tax due to:		
Non-deductible expenses	292	381
Opening balance adjustment - Provision	3	–
	2,474	93

The weighted average tax rate for FY19 was 34%. (FY18 is not meaningful as there was a loss before tax expenses but for tax purposes there was a profit).

As at 30 June 2019, the Company had franking credits of $2,478,279 available to it (30 June 2018: $2,256,486).

Notes to the Financial Statements
continued

4.3 Taxation (continued)

Income tax expense (continued)

Movement in temporary differences during the year

	Opening balance 1 July 2018	Charged to profit and loss	Charged to equity	**Balance 30 June 2019**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Property, plant and equipment	35	37	–	**72**
Equity raising costs	53	(21)	8	**41**
Total	88	16	8	**113**
Current liabilities:				
Accrued expenses	228	(58)	–	**170**
Employee benefits	711	4	–	**715**
Prepayments	19	13	–	**32**
Total	958	(41)	–	**917**
Total movement in temporary differences	1,046	(25)	8	**1,030**

	Opening balance 1 July 2017	Charged to profit and loss	Charged to equity	**Balance 30 June 2018**
	$'000	*$'000*	*$'000*	*$'000*
Non-current assets:				
Property, plant and equipment	–	35	–	**35**
Equity raising costs	83	(31)	–	**53**
Total	83	4	–	**88**
Current liabilities:				
Accrued expenses	164	64	–	**228**
Employee benefits	663	48	–	**711**
Prepayments	19	–	–	**19**
Total	846	112	–	**958**
Total movement in temporary differences	929	116		**1,046**

4.4 Contingent liabilities

The Group has no contingent liabilities as at the date of this report (2018: 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 (2018: nil).

Notes to the Financial Statements
continued

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.

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:

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

1. Indicates entities established or purchased during the financial year ended 30 June 2019.

Notes to the Financial Statements
continued

4.7 Parent entity disclosures

As at, and throughout, the financial year ended 30 June 2019 the parent of the Group was Growthpoint Properties Australia Trust.

	2019	2018
	$'000	*$'000*
Result of the parent entity		
Profit for the period	378,392	358,762
Other comprehensive expense	(167,387)	(148,432)
Total comprehensive income for the period	211,005	210,330
Financial position of the parent entity at year end		
Current assets	19,634	86,322
Total assets	4,096,869	3,456,619
Current liabilities	194,498	159,547
Total liabilities	1,617,751	1,363,995
Net assets	2,479,118	2,092,624
Total equity of the parent entity comprising:		
Contributed equity	1,814,503	1,639,014
Retained profits/ (losses)	664,615	453,610
Total equity	2,479,118	2,092,624

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 2019, the following fees were paid or payable for services provided by the auditor of the Group:

	2019	2018
	$	*$*
Audit services - KPMG		
Audit and review of financial statements	171,656	140,966
Other regulatory audit services	72,344	59,410
Non-audit services - KPMG		
Other assurance and due diligence services	–	9,000
	244,000	209,376

Notes to the Financial Statements
continued

4.9 Subsequent events

On 27 June 2019 the Group announced a fully-underwritten Institutional Placement to raise approximately $150.0 million and non-underwritten Security Purchase Plan to raise up to $15.0 million (with the Group able to accept applications to raise more than this) at an issue price of $3.97 per security.

28 June 2019 the Group announced it had successfully completed an Institutional Placement raising $150.0 million (with net proceeds of $147.3 million after transaction costs) for the issue of approximately 37.8 million new securities. The settlement of placement occurred on 2 July 2019 with allotment of the new securities occurring on 3 July 2019.

On 29 July 2019 the Group announced it had successfully completed the Security Purchase Plan raising approximately $23.6 million for the issue of approximately 5.9 million new securities (using its discretion to raise more than the $15.0 million originally planned). The settlement of Security Purchase Plan occurred on 31 July 2019 with allotment of the new securities occurring on 1 August 2019.

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.