

GROWTHPOINT

PROPERTIES

GROWTHPOINT PROPERTIES AUSTRALIA

INTERIM FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Growthpoint Properties Australia during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

GROWTHPOINT PROPERTIES AUSTRALIA

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

The Directors of Growthpoint Properties Australia Limited ACN 124 093 901 ("the Company"), being the Responsible Entity of Growthpoint Properties Australia Trust ARSN 120 121 002 ("the Trust"), present their report for Growthpoint Properties Australia ("the Group" or "GOZ") consisting of the Company and the Trust and its controlled entities, for the half-year ended 31 December 2012.

The shares of the Company and the units of the Trust are combined and issued as stapled securities. The shares of the Company and the units of the Trust cannot be traded separately and can only be traded as stapled securities.

Directors

The following persons were Directors of Growthpoint Properties Australia Limited during the whole of the half-year and up to the date of this report:

Lyndsay Shaddock
Grant Jackson
Francois Marais
Norbert Sasse
Estienne de Klerk
Timothy Collyer
Maxine Brenner

Review of Operations

During the period, the Group continued its strategy of investment in a portfolio of quality income producing real estate assets located within Australia. At the close of 31 December 2012, the Trust held interests in a portfolio of 43 investment properties.

The result for the half-year was a net profit after tax of \$33,967,000 (Dec 11: \$26,881,000). Some of the key financial points are as follows:

- Property revenue of \$73,037,000 (2011: \$56,915,000).
- Property fair value losses (including adjustment for straight-line rental receivable) of \$2,123,000 (2011: gain of \$24,048,000).
- An unrealised loss of \$3,434,000 due to the decrease in the fair value of the Group's interest rate swaps (2011: unrealised loss \$20,771,000).
- Earnings per stapled security of 8.7 cents (2011: 9.4 cents).
- Distributions to securityholders of \$35,126,000 (2011: \$24,748,000) and distributions per stapled security of 9.00 cents (2011: 8.70 cents for "GOZ").
- Total assets of \$1,718,584,000 (30 June 2012: \$1,607,082,000).
- Net assets of \$753,998,000 (30 June 2012: \$733,242,000) and NTA per stapled security of \$1.93 (30 June 2012: \$1.93).
- Management Expense Ratio or "MER" for the year ended 31 December 2012 was 0.41% (for the year to 31 December 2011: 0.42%).

These accounts have been prepared on a going concern basis and, where fair values have been applied, assume that the relevant assets would be sold between willing parties in an orderly sale process. References to "net tangible assets" or "NTA" have been derived with this in mind and do not take into account, for example, the tax impact from capital gains or losses for the Group or any of its constituent entities nor the financial or tax circumstances of any security holder of the Group. As a result, "net tangible assets" or "NTA" does not necessarily reflect the amount expected to be distributed to security holders in a winding up. The board and management regularly consider the Group's assets both in terms of their value and their growth potential and intend for the Group to continue as a going concern.

GROWTHPOINT PROPERTIES AUSTRALIA

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Key achievements during the period were:

- In July 2012, the Group extended a \$100 million vanilla interest rate swap which was due to mature in September 2013 and had a fixed rate of 4.995% per annum to now mature in September 2016 with a fixed rate of 3.80% per annum. As a result, the weighted averaged fixed rate on hedged debt at that time reduced to 4.61% per annum (before margin) from 4.79% per annum and the weighted average duration of hedged debt at that time increased to 4.4 years from 3.9 years. As at 31 December 2012, the weighted averaged fixed rate on hedged debt was 4.61% per annum (before margin) with the weighted average duration of 3.8 years.
- In August 2012, the Group settled the acquisition of 10-12 Mort Street, Canberra, Australian Capital Territory for \$55.8 million (excluding transaction costs). The property comprises two modern "A grade" eight storey office buildings with a combined net lettable area of approximately 15,398 square metres plus 158 car parks on land of 3,064 square metres. The buildings are fully-let to the Commonwealth of Australia (Department of Education, Employment and Workplace Relations) on a five year lease expiring 24 March 2017, with one five year option of renewal. This acquisition was initially fully funded by debt. Growthpoint agreed to increase its syndicated debt facility with Westpac, NAB and ANZ by \$60 million to \$825 million. The increased facility amount was added to the tranche maturing on 31 December 2016.
- In August 2012, the Group raised \$21,554,188 from the issue of 10,670,390 new stapled securities via its Distribution Reinvestment Plan ("DRP"). Securityholders that held 66.4% of the securities on issue participated in the DRP. Proceeds were used to pay down debt that had increased to purchase 10-12 Mort Street, Canberra (refer above for more details).
- In September 2012, Bridgestone Australia, which leases 14,021 square meters at 365 Fitzgerald Road, Derrimut, Victoria to 31 December 2018, exercised an option to expand the premises. Under the option, the premises is being expanded by 2,094 square meters at a cost of approximately \$1.2 million and, on completion, the lease will commence a new seven year term. The construction is expected to reach practical completion in March 2013.
- In November 2012, the property that was under development at 1231-1241 Sandgate Road, Nundah, Queensland reached practical completion. The building is effectively 100% let (includes 5 year rental guarantees from the developer). As the risks and rewards of owning this property have now transferred to the Group, the property is now accounted for as investment property.
- In December 2012, the property that was under development at Building C, 219-247 Pacific Highway, Artarmon, New South Wales reached practical completion and the key tenant occupied the building with new leases in place. The building is effectively 100% let (includes 5 year rental guarantees from the developer). As the risks and rewards of owning this property have now transferred to the Group, the property is now accounted for as investment property.
- In December 2012, the Group announced that Australian Paper, which leases 26,980 square meters at 44-54 Raglan Street, Preston, Victoria to 31 August 2013, had exercised an option for a further lease term of six years. The current rent approximates \$1.72 million per annum. In accordance with the provisions of the lease, the commencing rent for the new term will be agreed between the parties prior to 2 August 2013 or, failing such agreement, by an independent valuer.

GROWTHPOINT PROPERTIES AUSTRALIA

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

- In December 2012, the Group announced that it had entered a contract to sell its property at 134 Lillkar Road, Goulburn, New South Wales for \$72.25 million (before selling costs), above its 30 June 2012 book value of \$71.0 million. Settlement occurred on 31 January, 2013.
- In December 2012, the Group announced that it had entered contracts and other documents for the acquisition of a prime industrial property portfolio comprising three adjoining properties leased to Linfox in Erskine Park for a total cost of \$104.7 million (before acquisition costs). A deposit has been paid and settlement is expected to occur in February 2013. The acquisitions, and the development of one site, will be funded by a combination of the net proceeds from the sale of the Goulburn property (see above), proceeds from the DRP relating to the 31 December 2012 distribution and existing headroom in the syndicated debt facility.

Distributions and dividends

For the half year ended 31 December 2012:

- An interim distribution of \$35,126,000 was approved and declared by the Directors in December 2012 and provided for in the financial statements at 31 December 2012. The distribution is payable on or about 28 February 2013 and equates to 9.00 cents per GOZ stapled security.

The distribution referred to above was declared from the assets of the Trust with no dividends declared on the Company's shares for the half year.

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

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

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

	Half-year 2012 \$'000	Half-year 2011 \$'000
Property income	73,037	56,915
Property expense	(9,611)	(6,830)
Net property income	63,426	50,085
Net interest	(23,183)	(22,774)
Fund expenses	(3,273)	(2,317)
Current tax expense	(150)	(50)
Distributable income	36,820	24,944
Distribution payable	35,126	24,748

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DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

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

	Half-year 2012 \$'000	Half-year 2011 \$'000
Profit after tax	33,967	26,881
Less non-distributable items:		
- Straight line adjustment to property revenue	(2,118)	1,248
- Net changes in fair value of investments	2,123	(24,048)
- Profit/(loss) on sale of investment property	(492)	75
- Net (unrealised) loss on derivatives	3,434	20,771
- Deferred tax (income) / expense	(94)	17
Distributable income	36,820	24,944
Distributions on ordinary stapled securities provided for or paid during the half-year	35,126	24,748

The payout ratio, calculated as distributions on ordinary stapled securities divided by distributable income, was 95.4% (2011: 99.2%).

Management expense ratio

Management Expense Ratio ("MER") is calculated as "other expenses from ordinary activities" (as detailed in the Consolidated Statement of Comprehensive Income for a period) divided by the average gross assets for that period (calculated monthly). The MER for the 12 months to 31 December 2012 is 0.41% (12 months to 31 December 2011: 0.42%). The MER is non-IFRS financial information and has not been subject to review by the Group's external auditors.

MER has been provided to assist securityholders assess the cost of operating the Group relative to its gross assets.

Subsequent events

On 16 January 2013, the Group announced that the issue price for securities to be issued under the DRP for the distribution to be paid on or around 28 February 2013 will be \$2.18 per stapled security.

Approximately 80.8% of Growthpoint's distribution payable on or around 28 February 2013 will be issued new stapled securities under the DRP raising approximately \$27.3 million for the issue of approximately 12.5 million new stapled securities. Total stapled securities on issue following the DRP will be approximately 402.7 million.

The sale of the property at 134 Lillkar Road, Goulburn, NSW for \$72.25 million settled on 31 January 2013.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23 and forms part of the Directors' Report for the half-year ended 31 December 2012.

GROWTHPOINT PROPERTIES AUSTRALIA

DIRECTORS' REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

Rounding of amounts to the nearest thousand dollars

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

Signed at Melbourne, 18 February 2013 in accordance with a resolution of the Directors.

A handwritten signature in black ink that reads "T.J. Collyer." The signature is written in a cursive, flowing style.

Timothy Collyer
Managing Director
Growthpoint Properties Australia Limited

GROWTHPOINT PROPERTIES AUSTRALIA

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Notes	Half-year 2012 \$'000	Half-year 2011 \$'000
Revenue			
Property revenue		73,037	56,915
Straight line adjustment to property revenue		2,118	(1,248)
Net changes in fair value of investment properties		(2,123)	24,048
Profit/(loss) on sale of investment properties		492	(75)
Net change in fair value of derivatives		(3,434)	(20,771)
Net investment income		70,090	58,869
Expenses			
Property expenses		(9,611)	(6,830)
Other expenses from ordinary activities		(3,273)	(2,317)
Total expenses		(12,884)	(9,147)
Profit from operating activities		57,206	49,722
Interest income	8	4,921	1,332
Borrowing costs		(28,104)	(24,106)
Net finance costs		(23,183)	(22,774)
Profit before income tax		34,023	26,948
Income tax expense		(56)	(67)
Profit for the period		33,967	26,881
Profit / (loss) attributable to:			
Owners of the Trust		33,959	26,857
Owners of the Company		8	24
		33,967	26,881
Distribution to securityholders	5	(35,126)	(24,748)
Change in net assets attributable to securityholders / Total Comprehensive Income		(1,159)	2,133
Basic and diluted earnings per stapled security (cents)		8.7	9.4

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

GROWTHPOINT PROPERTIES AUSTRALIA

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Notes	31-Dec-12 \$'000	30-Jun-12 \$'000
Current assets			
Cash and cash equivalents		13,421	35,289
Trade and other receivables	6	75,985	1,037
Total current assets		89,406	36,326
Non-current assets			
Trade and other receivables	7	48,187	46,069
Plant & equipment		48	46
Investment properties	7	1,579,572	1,423,577
Other receivables	8	1,003	100,790
Deferred tax assets		368	274
Total non-current assets		1,629,178	1,570,756
Total assets		1,718,584	1,607,082
Current liabilities			
Trade and other payables	10	79,763	68,593
Provision for distribution payable	5	35,126	32,635
Current tax payable		353	219
Total current liabilities		115,242	101,447
Non-current liabilities			
Interest bearing liabilities	11	805,973	732,456
Derivative financial instruments		43,371	39,937
Total non-current liabilities		849,344	772,393
Total liabilities		964,586	873,840
Net assets		753,998	733,242
Securityholders' funds			
Contributed equity	13	946,588	925,101
Reserves		1,147	719
Accumulated losses		(193,737)	(192,578)
Total securityholders' funds		753,998	733,242

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

GROWTHPOINT PROPERTIES AUSTRALIA

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Notes	Half-year 2012 \$'000	Half-year 2011 \$'000
Total equity at the beginning of the half-year		733,242	478,564
Net income recognised directly in equity		-	-
Profit for the half-year		33,967	26,881
Total recognised income and expense for the half-year		33,967	26,881
Transactions with security holders in their capacity as security holders:			
Contributions of equity, net of transaction costs		21,487	98,801
Distributions provided or paid		(35,126)	(24,748)
Deferred tax recognised in reserve		-	47
Employee share plan recognised in reserve	12	428	153
Total equity at the end of the half-year		753,998	579,698
Total recognised income and expense for the half-year is attributable to:			
- Trust		33,959	26,857
- Company		8	24
Growthpoint Properties Australia		33,967	26,881

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

GROWTHPOINT PROPERTIES AUSTRALIA

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

	Half-year 2012 \$'000	Half-year 2011 \$'000
Cash flows from operating activities		
Cash receipts from customers	71,968	56,924
Cash payments to suppliers	(11,016)	(10,301)
Cash generated from operating activities	60,952	46,623
Interest paid	(27,655)	(25,335)
Taxes paid	(16)	(113)
Net cash inflow from operating activities	33,281	21,175
Cash flows from investing activities		
Interest received	4,921	1,332
Net proceeds from sale of investment properties	-	5,101
Payments for investment properties	(59,390)	(11,721)
Payments for plant & equipment	(13)	(4)
Payments for 'fund through' developments / other receivables	(62,588)	(34,113)
Net cash outflow from investing activities	(117,070)	(39,405)
Cash flows from financing activities		
Proceeds from external borrowings	112,237	-
Repayment of external borrowings	(39,168)	(59,725)
Proceeds from equity raising	21,554	102,600
Equity raising costs	(67)	(3,799)
Distributions paid to securityholders	(32,635)	(20,669)
Net cash inflow from financing activities	61,921	18,407
Net increase / (decrease) in cash and cash equivalents	(21,868)	177
Cash and cash equivalents at the beginning of the period	35,289	24,144
Cash and cash equivalents at the end of the period	13,421	24,321

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

GROWTHPOINT PROPERTIES AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 1: REPORTING ENTITY

Growthpoint Properties Australia was formed by the stapling of the securities of two entities comprising Growthpoint Properties Australia Limited ("the Company") and Growthpoint Properties Australia Trust and its controlled entities ("the Trust"). The Company is the Responsible Entity for the Trust. Growthpoint Properties Australia is also referred to as "the Group".

The Group was established for the purpose of facilitating a joint quotation of the Company and the Trust and its controlled entities on the Australian Securities Exchange (ASX Code: GOZ). The constitutions of the Company and the Trust ensure that, for so long as the two entities remain jointly quoted, the number of shares in the Company and the number of units in the Trust shall be equal and the shareholders of the Company and the unitholders of the Trust are identical. The Company, both in its personal capacity and in its capacity as the Responsible Entity of the Trust, must at all times act in the best interests of the Group.

The consolidated interim financial report includes financial statements for Growthpoint Properties Australia, the stapled consolidated group, which is domiciled in Australia, as at and for the six months ended 31 December 2012.

NOTE 2: BASIS OF PREPARATION

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

The consolidated interim financial report does not include all of the information required for a full annual financial report and should be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Growthpoint Properties Australia during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This consolidated interim financial report was authorised for issue by the Directors of the Group on 18 February 2013.

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

NOTE 3: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in this interim financial report are consistent with those of the previous financial year ended 30 June 2012 and the corresponding interim reporting period.

GROWTHPOINT PROPERTIES AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 4: SEGMENT INFORMATION

The Group operates wholly within Australia and derives rental income solely from property investments. With an increase in investments in the office sector, the Group now segments net property income into Office and Industrial segments and those results are shown below:

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

	Office \$'000	Industrial \$'000	Total \$'000
Statement of comprehensive income for the half year to Dec 2011			
Revenue, excluding straight line lease adjustment	17,865	39,050	56,915
Property expenses	(2,497)	(4,333)	(6,830)
Segment results	15,368	34,717	50,085
Income not assigned to segments			25,380
Expenses not assigned to segments			(48,517)
Net profit before income tax			26,948

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

NOTE 5: DISTRIBUTIONS

Period for distribution	Total distribution \$'000	Total stapled securities ('000)	Distributions per stapled security (cents)
Half year to 31 December 2012 GOZ	35,126	390,293	9.00

Period for distribution	Total distribution \$'000	Total stapled securities ('000)	Distributions per stapled security (cents)
Half year to 31 December 2011 GOZ	20,698	237,904	8.70
Half year to 31 December 2011 GOZN	4,050	54,000	7.50
	<u>24,748</u>		

The distribution of 9.00 cents per GOZ stapled security (2011: 8.70 cents per GOZ stapled security, 7.50 cents per GOZN stapled security) is estimated to be 73% tax deferred and 7% tax free (confirmation will be provided in the annual tax statements issued in August 2013).

GROWTHPOINT PROPERTIES AUSTRALIA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 6: CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	31-Dec-12	30-Jun-12
	\$'000	\$'000
Rent receivables	2,359	281
Prepayments	2,098	756
Settlement of sale of investment property	71,528	-
	75,985	1,037

GROWTHPOINT PROPERTIES AUSTRALIA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 7: INVESTMENT PROPERTIES

			Latest External Valuation		Consolidated Book Value	
Industrial Properties			Date	Valuation	31-Dec-12	30-Jun-12
				\$'000	\$'000	\$'000
Victoria						
28 Bilston Drive	Wodonga	VIC	30-Jun-12	70,500	71,000	70,500
120 Northcorp Boulevard	Broadmeadows	VIC	30-Jun-12	64,000	65,000	64,000
522-550 Wellington Road	Mulgrave	VIC	31-Dec-12	51,000	51,000	50,500
40 Annandale Road	Melbourne Airport	VIC	31-Dec-12	35,700	35,700	36,500
130 Sharps Road	Melbourne Airport	VIC	31-Dec-12	22,550	22,550	22,550
44-54 Raglan St	Preston	VIC	31-Dec-12	18,500	18,500	16,000
42-44 Garden Street	Kilsyth	VIC	31-Dec-12	17,800	17,800	17,750
120 Link Road	Melbourne Airport	VIC	31-Dec-12	17,150	17,150	17,500
365 Fitzgerald Road	Derrimut	VIC	30-Jun-12	13,400	14,280	13,400
60 Annandale Road	Melbourne Airport	VIC	30-Jun-12	12,900	12,900	12,900
45-55 South Centre Road	Melbourne Airport	VIC	31-Dec-12	8,700	8,700	8,700
31 Garden Street	Kilsyth	VIC	31-Dec-12	7,850	7,850	7,800
306 - 318 Abbots Road	Dandenong South	VIC	30-Jun-12	8,000	7,725	8,000
75 Annandale Road	Melbourne Airport	VIC	31-Dec-12	6,825	6,825	6,700
Queensland						
70 Distribution Street	Larapinta	QLD	31-Dec-12	162,000	162,000	159,000
13 Business Street	Yatala	QLD	31-Dec-12	14,000	14,000	14,000
5 Viola Place	Brisbane Airport	QLD	31-Dec-12	11,450	11,450	11,300
29 Business Street	Yatala	QLD	30-Jun-12	11,400	11,050	11,400
670 Macarthur Avenue	Pinkemba	QLD	30-Jun-12	8,425	8,425	8,425
10 Gassman Avenue	Yatala	QLD	30-Jun-12	4,700	4,700	4,700
3 Viola Place	Brisbane Airport	QLD	31-Dec-12	2,600	2,600	1,800
Western Australia						
2 Horrie Miller Drive	Perth Airport	WA	31-Dec-12	113,500	113,500	111,000
New South Wales						
134 Lillkar Road (i)	Goulburn	NSW	31-Dec-11	69,000	-	71,000
6-7 John Morphet Place	Erskine Park	NSW	31-Dec-12	35,950	35,950	-
51-65 Lenore Drive	Erskine Park	NSW	31-Dec-12	22,500	22,514	-
81 Derby Street	Silverwater	NSW	31-Dec-12	13,600	13,600	13,600
South Australia						
599 Main North Road	Gepps Cross	SA	31-Dec-12	57,500	57,500	57,000
12-16 Butler Boulevard	Adelaide Airport	SA	31-Dec-12	10,750	10,750	10,700
10 Butler Boulevard	Adelaide Airport	SA	31-Dec-12	7,500	7,500	7,500
Total Industrial Properties				899,750	832,519	834,225

(i) This property sold in December 2012.

GROWTHPOINT PROPERTIES AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 7: INVESTMENT PROPERTIES (cont'd)

			Latest External Valuation		Consolidated Book Value	
Office Properties			Date	Valuation	31-Dec-12	30-Jun-12
				\$'000	\$'000	\$'000
Victoria						
Building 2, 572-576 Swan Street	Richmond	VIC	30-Jun-12	74,000	75,000	74,000
Building 1&3, 572-576 Swan Street	Richmond	VIC	30-Jun-12	50,000	50,500	50,000
Carpark, 572-576 Swan Street	Richmond	VIC	30-Jun-12	1,000	1,125	1,057
Queensland						
333 Ann Street	Brisbane	QLD	31-Dec-12	111,000	111,000	116,278
1231-1241 Sandgate Road	Nundah	QLD	31-Dec-12	81,600	81,600	-
CB1, 22 Cordelia Street	South Brisbane	QLD	31-Dec-12	65,000	65,000	67,953
32 Cordelia Street	South Brisbane	QLD	30-Jun-12	64,000	64,000	64,000
52 Merivale Street	South Brisbane	QLD	31-Dec-12	63,500	63,500	65,000
CB2, 42 Merivale Street	South Brisbane	QLD	31-Dec-12	34,250	34,250	34,412
32 Cordelia Street (Car park)	South Brisbane	QLD	31-Dec-12	10,400	10,400	11,000
South Australia						
33-39 Richmond Road	Keswick	SA	31-Dec-12	52,000	52,000	53,400
7 Laffer Drive	Bedford Park	SA	30-Jun-12	17,000	16,050	17,000
New South Wales						
Building C, 219-247 Pacific Highway	Artarmon	NSW	31-Dec-12	85,750	85,750	-
Tasmania						
89 Cambridge Park Drive	Cambridge	TAS	30-Jun-12	25,500	25,250	25,500
Australian Capital Territory						
10-12 Mort Street	Canberra	ACT	30-Jun-12	56,000	59,815	55,821
Total Office Properties				791,000	795,240	635,421
Sub-totals				1,690,750	1,627,759	1,469,646
Less: amounts classified as receivables (rental income recognised on a straight line basis)					(48,187)	(46,069)
Total investment properties					1,579,572	1,423,577

(a) Valuation basis

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

External valuations were conducted by Jones Lang LaSalle, Colliers International, Savills, m3property, Urbis and Knight Frank. The fair value of properties not externally valued as at 31 December 2012 were based on Director valuations.

At each reporting date the Directors update their assessment of the fair value of each property in accordance with the Group accounting policy.

NOTE 7: INVESTMENT PROPERTIES (cont'd)

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 properties:

	Dec-12	Jun-12
Discount rate	9.0% - 11.0%	9.0% - 10.8%
Terminal yield	7.8% - 11.5%	8.3% - 10.5%
Capitalisation rate	7.8%-11.0%	8.0% - 10.0%
Expected vacancy period	3-12 months	3-12 months
Rental growth rate	2.5% - 5.0%	2.5% - 4.5%

Commentary on Discount Rates

Over the 6 months to 31 December 2012 the spread in discount rates utilised in the valuation of the Group's property portfolio expanded very marginally. At the reporting date however, the weighted average discount rate utilised in valuing the Group's property remains virtually unchanged. The implied property risk premium, being the spread between the average discount rate and the 10 Year Australian Government Bond Rate contracted marginally over the 6 months to 31 December 2012. The reduction in this implied premium is a product of bond rates increasing slightly from the historically low rates evidenced throughout June 2012, not from any meaningful contraction in discount rates.

Commentary on Capitalisation Rates**Industrial**

On a like for like basis the weighted average capitalisation rates over the Group's industrial properties remained stable over the 6 months to 31 December 2012. Capitalisation rates for the Group's own high value industrial portfolio sit between 8.00% and 8.25%; this range is supported by recent transactions of other high quality industrial properties. Interest for such prime assets remains robust, with both domestic and international purchasers actively seeking high quality industrial property.

Office

Weighted average capitalisation rates used in valuing the Group's office portfolio softened by less than 10 basis points over the 6 months to 31 December 2012, however such movement was confined to a small minority of assets. The two office development assets reached practical completion over the half year, providing uplifts to the book value from 30 June 2012 to 31 December 2012.

(b) Uncertainty around property valuations

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

GROWTHPOINT PROPERTIES AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 7: INVESTMENT PROPERTIES (cont'd)

The fair value of investment property has been assessed to reflect market conditions at the end of the reporting period. While this represents the best estimates of fair value as at 31 December 2012, the current market uncertainty means that if investment property is sold in future the price achieved may be higher or lower than the most recent valuation, or higher or lower than the fair value recorded in the financial statements.

(c) Contractual obligations

The Group has also entered two contracts to purchase properties at 6-7 John Morphett Place, Erskine Park, New South Wales, and 51-65 Lenore Drive, Erskine Park, New South Wales. These properties have therefore been included with the investment property portfolio at cost. A corresponding entry for \$55,528,000 (being the purchase price less deposits paid) is included in "trade and other payables" within the Statement of Financial Position.

The Group has entered into a contract to expand the property at 365 Fitzgerald Road, Derrimut, Victoria. The total cost of the expansion is approximately \$1,200,000 and as at 31 December 2012, \$763,000 of this commitment had been paid, with the remaining \$437,000 to be paid by the end of March 2013 upon completion of the construction.

NOTE 8: OTHER RECEIVABLES

	31-Dec-12	30-Jun-12
	\$'000	\$'000
Payments made to acquire investment properties:		
1231-1241 Sandgate Road, Nundah, QLD	-	52,003
Building C, 219-247 Pacific Highway, Artarmon, NSW	-	48,787
27-49 Lenore Drive, Erskine Park, NSW	1,003	-
	<u>1,003</u>	<u>100,790</u>

During November 2012 the property at 1231-1241 Sandgate Road, Nundah, Queensland reached practical completion and ownership transferred to the Group with the asset now classed as investment property (see Note 7). Interest earned on payments to the developer before significant risks and rewards transferred during the period was \$2,016,000 and is included in Interest Income in the Consolidated Statement of Comprehensive Income (Dec 2011: \$854,000). Payments of rent from the commencement of the leases in November 2012 are included in Property Revenue in the Consolidated Statement of Comprehensive Income.

During December 2012 the property at Building C, 219-247 Pacific Highway, Artarmon, New South Wales reached practical completion and ownership transferred to the Group with the asset now classed as investment property (see Note 7). Interest earned on payments to the developer before significant risks and rewards transferred during the period was \$2,618,000 and is included in Interest Income in the Consolidated Statement of Comprehensive Income (Dec 2011: nil). Payments of rent from the commencement of the leases in December 2012 are included in Property Revenue in the Consolidated Statement of Comprehensive Income.

Interest received from the two developments outlined above, combined with bank interest earned of \$287,000 reconciles to interest income of \$4,921,000 as disclosed in the Consolidated Statement of Comprehensive Income.

GROWTHPOINT PROPERTIES AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 8: OTHER RECEIVABLES (cont'd)

The Group has entered into a "Development Delivery Agreement" with the Linfox Group in relation to the property at 27-49 Lenore Drive, Erskine Park, New South Wales under which Linfox Group will construct a warehouse building with the Group making a final payment for the property once it has been completed. The contract price for the development works has been fixed at \$26,650,000. The Group has also entered a contract for \$19,600,000 to purchase the land on which this building will be constructed and that contract is expected to settle in February 2013. Payments for the deposit on the land acquisition and acquisition costs relating to this asset total \$1,003,000 as at 31 December 2012 (June 2012: nil). The asset will be included within Investment Properties upon the Group taking on all risks and rewards associated with the property at practical completion, scheduled to occur in or around August 2013. In the Group's judgement, the risks and rewards of ownership have not yet transferred to the Group as the Group holds a put option which allows the Group to put the property back to the developer in exchange for all moneys outlaid to that date if, among other things, the developer does not comply with its obligations under the Development Delivery Agreement.

NOTE 9: COMMITMENTS

For details of other property commitments see Note 7 (c) and Note 8 above.

NOTE 10: TRADE AND OTHER PAYABLES

	31-Dec-12	30-Jun-12
	\$'000	\$'000
Trade payables	13	26
Non-trade payables	789	98
GST payable	609	270
Accrued expenses - other	5,883	5,546
Prepaid rent	9,559	8,693
Settlement of contracts to acquire investment properties (i)	62,910	53,960
	<u>79,763</u>	<u>68,593</u>

- (i) This figure is comprised of the final payment for the development of the property at 1231-1241 Sandgate Road, Nundah, Queensland of \$2,546,000, a final payment for the development of Building C, 219-247 Pacific Highway, Artarmon, New South Wales of 4,836,000, the settlement of the acquisition of the property at 6-7 John Morphett Place, Erskine Park, New South Wales of 34,153,000 and the settlement of the acquisition of the property at 51-65 Lenore Drive, Erskine Park, New South Wales for 21,375,000.

GROWTHPOINT PROPERTIES AUSTRALIA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2012

NOTE 11: INTEREST BEARING LIABILITIES

The table below summarises the movements in the Group's interest bearing liabilities during the six months to 31 December 2012.

	Opening balance 1 July 2012 \$'000	Movement during period \$'000	Balance as at 31 December 2012 \$'000	Facility limit \$'000	Maturity
Secured bank loans					
<i>Syndicated bank facility</i>					
- Tranche A	255,000	-	255,000	255,000	Dec-2014
- Tranche B	255,000	-	255,000	255,000	Dec-2015
- Tranche C	200,016	(3,178)	196,838	238,207	Dec-2016
- Tranche D	-	-	-	6,793	Dec-2016
- Tranche E	-	44,000	44,000	70,000	Dec-2016
<i>Bilateral bank facility</i>	28,153	32,247	60,400	70,000	Apr-2016
Total bank loans	738,169	73,069	811,238	895,000	
Less unamortised upfront costs	(5,713)	448	(5,265)		
Total interest bearing liabilities	732,456	73,517	805,973		

The weighted average interest rate (including bank margin) at 31 December 2012 was 6.95% (30 June 2012: 7.25%).

NOTE 12: SHARE-BASED PAYMENT ARRANGEMENTS

During the period the Group had three employee incentive plans in operation, one for each financial year 2011 to 2013.

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

During the period, the total cost of the FY 2012 Employee Incentive Plan performance rights was determined. The total cost for directors was \$395,145 and for employees \$323,207. The first tranche of these performance rights vested during the period.

The fair value of performance rights under the FY 2013 Employee Incentive Plan was determined on the grant date of those rights. The fair value of these rights for Directors is estimated as \$472,080 and for employees \$369,223. This estimate is based on achieving 84% of the maximum payable under the 2013 plan. This is seen as a reasonable estimate for fair value as it is the same percentage achieved for the 2012 plan. The measures for the FY 2013 Employee Incentive Plan are identical to the FY 2012 plan and are outlined in full in the Remuneration Report for the Annual Report for 2012. The actual costs of performance rights cannot be determined until FY 2014 and the first issue of securities under the 2013 plan will not occur until FY 2014.

During the period, \$428,000 was recognised in the share based payments reserve (Dec 11: \$153,000). This represents the amounts recognised under the three 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.

GROWTHPOINT PROPERTIES AUSTRALIA

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

NOTE 12: SHARE-BASED PAYMENT ARRANGEMENTS (cont'd)

The table below outlines the value of performance rights that were issued as Stapled Securities in the Group during the period.

FY 2011 Employee Incentive Plan	Issue date	Value of securities issued on conversion of performance rights \$	Number of securities issued on conversion of performance rights No.	Value of performance rights still to vest \$	Percentage of plan that vested during the period %
Director	8/10/2012	75,869	35,904	151,745	25%
Employees	8/10/2012	53,755	25,439	107,504	25%

FY 2012 Employee Incentive Plan	Issue date	Value of securities issued on conversion of performance rights \$	Number of securities issued on conversion of performance rights No.	Value of performance rights still to vest \$	Percentage of plan that vested during the period %
Director	27/11/2012	98,792	46,752	296,359	25%
Employees	8/10/2012	80,801	38,238	235,984	25%

NOTE 13: CONTRIBUTED EQUITY

	Half-year 2012 No. ('000)	Half-year 2012 \$'000	Half-year 2011 No. ('000)	Half-year 2011 \$'000
Opening balance at 1 July	379,476	925,101	237,578	662,924
Issues of ordinary stapled securities during the half-year:				
Rights issue	-	-	54,000	102,600
Distribution reinvestment plan	10,671	21,554	-	-
Compulsory acquisition	-	-	258	-
Shares issued under LTI (i)	146	-	69	-
Cost of raising capital	-	(67)	-	(3,799)
	10,817	21,487	54,327	98,801
Closing balance at 31 December	390,293	946,588	291,905	761,725

(i) LTI refers to the Group's employee incentive plan rules which were adopted on 8 July 2011. The plans for financial years 2011 to 2013 provide for an annual grant of stapled securities in the Group to employees subject to the achievement by the Group of specified objectives within each individual plan.

NOTE 14: SUBSEQUENT EVENTS

On 16 January 2013, the Group announced that the issue price for securities to be issued under the DRP for the distribution to be paid on or around 28 February 2013 will be \$2.18 per stapled security.

Approximately 80.8% of Growthpoint's distribution payable on or around 28 February 2013 will be issued new stapled securities under the DRP raising approximately \$27.3 million for the issue of approximately 12.5 million new stapled securities. Total stapled securities on issue following the DRP will be approximately 402.7 million.

The sale of the property at 134 Lillkar Road, Goulburn, NSW for \$72.25 million settled on 31 January 2013.

GROWTHPOINT PROPERTIES AUSTRALIA

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 31 DECEMBER 2012**

In the opinion of the Directors of Growthpoint Properties Australia:

- (a) the attached Financial Statements and notes set out on pages 7 to 21 are in accordance with the *Corporations Act 2001*, including:
 - i) complying with Australia Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

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



Timothy Collyer
Managing Director

Melbourne, 18 February 2013



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

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

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Darren Scammell
Partner

Melbourne

18 February 2013



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

Report on the consolidated financial report

We have reviewed the accompanying interim financial report of Growthpoint Properties Australia, which comprises the consolidated statement of financial position as at 31 December 2012, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes 1 to 14 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Growthpoint Properties Australia Limited (the Company), Growthpoint Properties Trust (the trust), and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the interim financial report

The directors of the Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust, are responsible for the preparation of the interim financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the interim financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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



Independence

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

Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

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

A stylized, handwritten signature of the KPMG firm, appearing as 'KPMG' in a cursive script.

KPMG

A handwritten signature of Darren Scammell, written in a cursive script.

Darren Scammell
Partner

Melbourne

18 February 2013