GROWTHPOINT PROPERTIES

positioned for growth.

2019 Annual Report

for the year ended 30 June 2019

Growthpoint Properties Australia

Growthpoint Properties Australia Trust ARSN 120 121 002
Growthpoint Properties Australia Limited ABN 33 124 093 901 AFSL 316409

What's inside.

About the Directors' Report

The Directors' Report which follows is signed in Melbourne on 22 August 2019 in accordance with a resolution of the Directors of Growthpoint Properties Australia Limited.

The Directors' Report comprises pages 3 to 55 of this report except where referenced otherwise.

Images
Cover: Botanicca 3, 570 Swan Street, Richmond, VIC
This page: 15 Green Square Close, Fortitude Valley, QLD

Further information can be found in the 2019 Sustainability Report: **growthpoint.com.au/sustainability/operating-sustainably/**

To view our Corporate Governance Statement go to: **growthpoint.com.au/about/corporate-governance/**

About this Report

This is the Annual Report for Growthpoint Properties Australia (comprising Growthpoint Properties Australia Limited and its controlled entities and Growthpoint Properties Australia Trust and its controlled entities) for the year ended 30 June 2019. It is available online at **www.growthpoint.com.au** and in hard copy. Persons can request a hard copy through any of the communication methods listed on the inside back cover of this report.

This report provides readers with an overview of Growthpoint's business including summaries of the strategies, objectives, assets, operating model, achievements, key risks and opportunities at 22 August 2019 as well as detailed financial information over the last six months, one year, five and ten year periods. There are also references which enable readers to obtain more information should they wish to.

FY19 Highlights.

Funds From Operations

25.1cps

+0.4% on FY18

Property portfolio value

$4.0bn

+18.7% on 30 June 2018

Distributions per security

23.0cps

+3.6% on FY18

Net tangible assets per security

$3.52[1]

+10.3% on 30 June 2018

Net Property Income

$230.4m

+5.4% on FY18

Portfolio occupancy

98%

(30 June 2018: 98%)

- Completed $386 million in property transactions[2]
- Development pipeline of $353 million
- Like-for-like portfolio valuation growth of 10%
- Completed two significant equity raisings which were oversubscribed[3]
- Reduced gearing by 380 basis points to 30.1%[1]

1. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds.
2. Includes acquisitions and divestments.
3. Comprising a $135 million Rights Offer completed in December 2018 and an Institutional Placement and Security Purchase Plan which were launched in June 2019 with the $174 million proceeds settling in early FY20.

Our business strategy.

Our goal is to provide Securityholders with sustainable income returns and long-term capital appreciation from properties we own, develop and manage.

Performance is driven through the following strategic initiatives:

1. Invest in quality assets.

We seek to invest in the best quality commercial real estate available, given our cost of capital, that provide an attractive income yield and long-term capital appreciation.

2. Maximise value.

Asset retention and management strategies are developed for each property owned by Growthpoint to maximise income and value including leasing, refurbishment, expansion, development or divestment.

3. Maintain occupancy.

High levels of tenant satisfaction with our properties and services help maintain high occupancy levels and consistent rental income.

We focus on providing quality accommodation with high green credentials and low operating costs, understanding individual tenant needs and developing long-term relationships.

3 Murray Rose Avenue, Sydney Olympic Park, NSW

Introduction from Chairman and Managing Director.

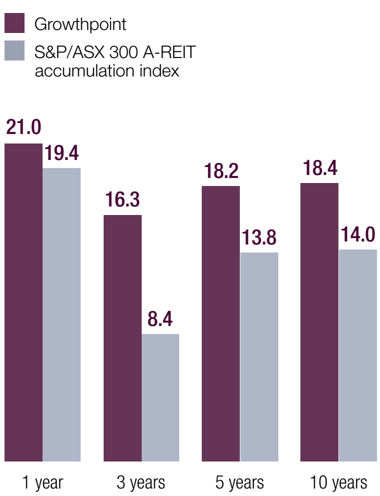
Geoff Tomlinson
Independent Chairman & Director

Timothy Collyer
Managing Director

Total Securityholder return over 10 years

18.4%

compared to 14.0% for the S&P/ASX 300 A-REIT accumulation index return for the same period[1]



Total Securityholder return over 1, 3, 5 & 10 years (%)[1]

Growthpoint finishes its 10th year with strong returns and a quality portfolio in the office and logistics sectors.

In August 2019, Growthpoint Properties Australia celebrated its 10th anniversary as an ASX listed A-REIT. Since its inception, Growthpoint's business has grown substantially, whilst at the same time providing strong total returns to Securityholders. Our concentration has been to build and manage the property portfolio for the long-term, on a sustainable basis.

In FY19 attractive long-term returns to Securityholders continued, with the Group delivering an above-sector total Securityholder return of 21.0%[1].

Other key highlights over the year were:

- Statutory earnings of 52.9 cents per security (cps)
- FFO of 25.1 cps, an increase of 0.4% on FY18
- Annual distribution of 23.0 cps, an increase of 3.6% on FY18
- 10.3% increase in NTA per security, up from $3.19 at 30 June 2018 to $3.52[2]
- Completed over $386.5 million in property transactions, taking advantage of strong pricing to sell and reinvest favourably into modern office properties, with quality tenants and long WALEs
- Undertaken 116,901 sqm of new and extended leasing, equating to approximately 11.4% of total portfolio lettable area, maintaining portfolio occupancy at 98%.
- Undertaken two significant equity raisings that were oversubscribed, raising $309 million, increasing the market capitalisation of the Group and trading free float
- Reduced gearing by 380 basis points (bps), from 33.9% as at 30 June 2018 to 30.1%[2], below the Group's target range, providing significant flexibility to take advantage of growth opportunities as they arise
- Successfully completed a 10 year USPP debt placement of $161 million. The Group's weighted average debt maturity is 4.6 years, with no refinancing required until September 2020

Growthpoint had a busy year, undertaking significant transactions during FY19, including:

Acquisitions – purchased two modern, A-Grade office buildings for a total consideration of $341.3 million.

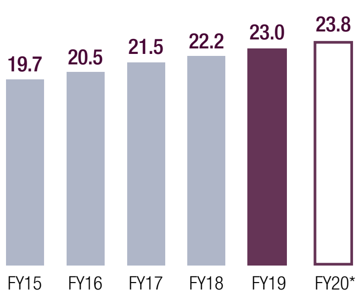
Disposals – two non-core office buildings located at Bedford Park, South Australia and Cambridge, Tasmania were sold for $45.2 million.

Debt – raised $161 million of 10 year debt in the USPP market, refinancing a bridge facility.

Development – Building 3, Botanicca, Victoria, a 19,300 sqm A-Grade office building, proceeding well for completion in early 2020. Gepps Cross, South Australia distribution facility leased by Woolworths undergoing a $54 million expansion. Currently considering development options for 25.0 hectare Broadmeadows industrial land.

1. Source: UBS Investment Research: Annual compound returns to 30 June 2019.
2. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds.

Botanicca 3, 570 Swan Street, Richmond, VIC



Distributions (¢)
per stapled security

*Distribution guidance only.

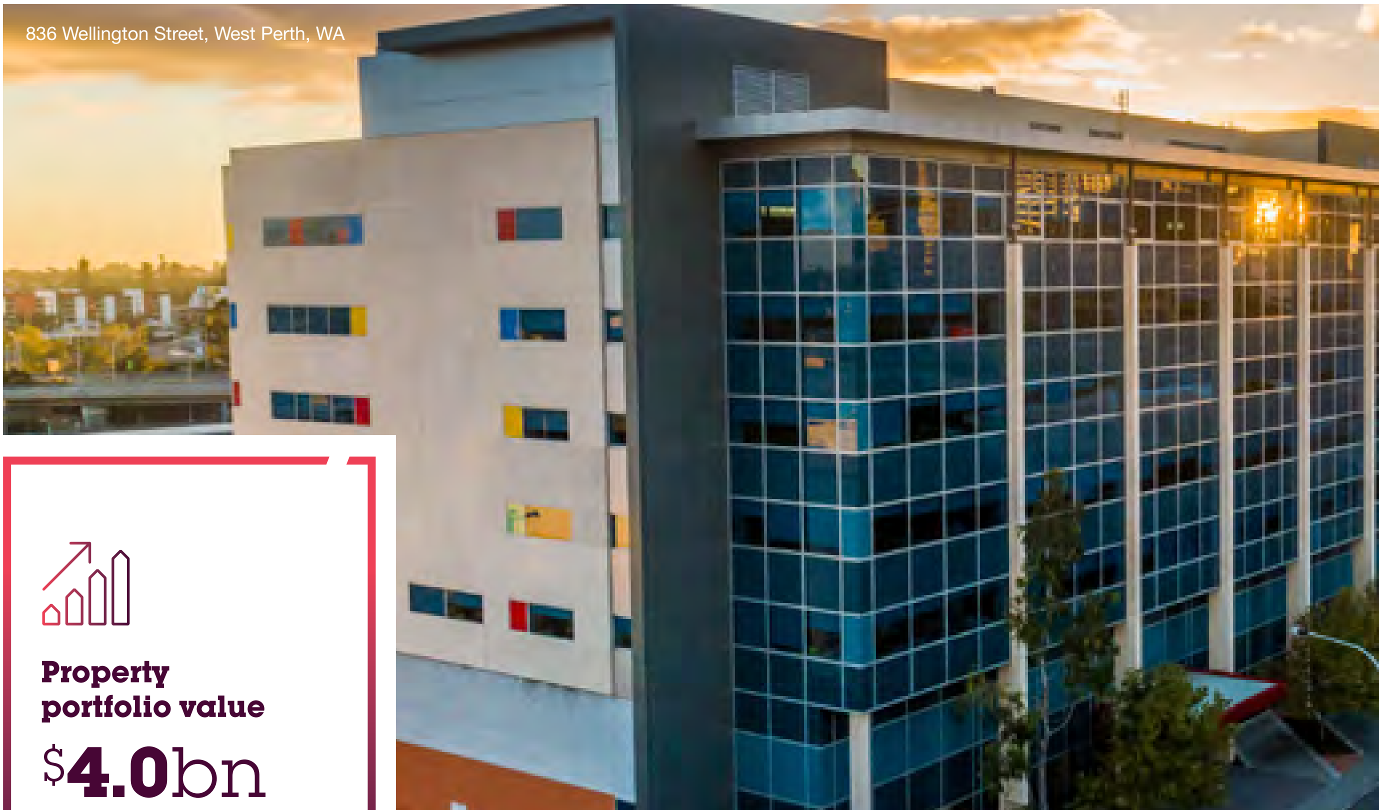
Portfolio occupancy (%)
as at 30 June

Ten years of sustainable growth.

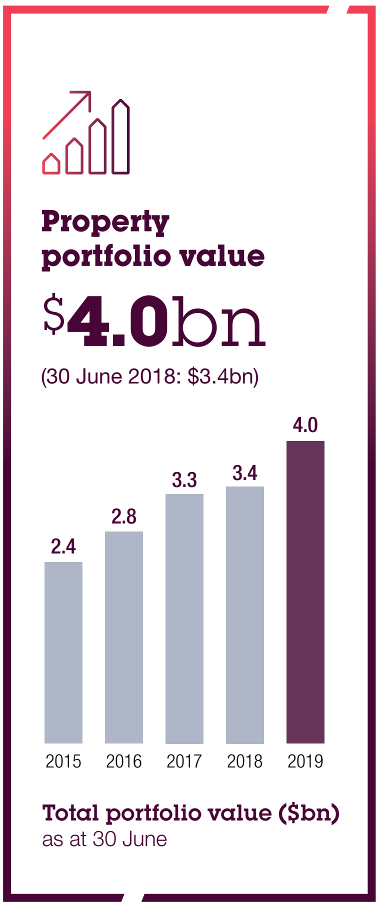
	FY10	FY19
Property portfolio value	$0.8bn	$4.0bn
Total office assets	–	26
Total industrial assets	25	31
Share price (at 30 June)	$1.80	$4.12
Market capitalisation	$0.3bn	$3.4bn[1,2]
Free float	$0.1bn	$1.3bn[1,2]
No. employees	5	26

1. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds.
2. Pro forma, using the closing price of $4.39 on 31 July 2019, multiplied by 771.5 million securities on issue.

Introduction from Chairman and Managing Director continued



836 Wellington Street, West Perth, WA



Equity raising – during the year Growthpoint successfully raised $309 million of equity via a Rights Offer, an Institutional Placement and Security Purchase Plan[1]. These issues were well supported by existing and new Securityholders and accord with the strategy of increasing the market capitalisation and trading free float of the Group.

The above transactions have left Growthpoint well placed in the market. With an office and logistics property portfolio value of $4.0 billion and a market capitalisation of $3.4 billion[2,3], there is an increasing universe of investors interested in Growthpoint. The balance sheet is in good shape with gearing at 30.1%[3], providing future flexibility should opportunities arise. The targeted mixture of long-term debt capital markets and traditional institutional bank debt, provides Growthpoint with diversity of debt providers and a long weighted average debt expiry of 4.6 years.

The Group is well placed with a quality property portfolio in the favoured office and logistics sectors. Modern assets, with quality tenants and a long WALE are key characteristics. Major internal development opportunities will be completed in FY20 and further opportunities are under review. Whilst we favour the office and logistics markets, we will consider investment and business opportunities in other markets.

Growthpoint has continued to review and enhance the sustainability of its property portfolio and operations and maintains high governance standards. We seek to invest in modern office buildings with high NABERS energy and water ratings, we have committed to additional investments in on-site renewable energy projects and have developed an energy procurement strategy with the aim of securing the most cost-effective, long-term approach to purchasing renewable energy. Annually, we participate and are benchmarked in the GRESB and CDP surveys and these have showed continuous improvement.

1. The settlement of the Institutional Placement and Security Purchase Plan occurred in early FY20.
2. Pro forma, using the closing price of $4.39 on 31 July 2019, multiplied by 771.5 million securities on issue.
3. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds.

The Board has had a continued focus on the Group's "culture". Through internal and external surveys and reporting, the culture has been observed as a positive one. Employees have also articulated the culture and the core values that we operate by – Respect, Success, Inclusion, Integrity and Fun. More information on these initiatives can be found in the Group's FY19 Sustainability Report.

As highlighted in last year's annual report, to adopt best practice, the Board implemented three key changes to Remuneration in FY19 that will further align management remuneration with the Securityholder. Further, PWC continued to advise the Nomination, Remuneration and HR Committee on benchmarking of remuneration and directors' fees. More information on the Group's remuneration can be found on pages 32 to 53 of this report.

Directors, management and employees are proud of the achievements of the Group during the last 10 years and we would like to thank all stakeholders and Securityholders for their continued support.

Geoff Tomlinson
Independent Chairman & Director

Growthpoint Properties Australia Limited

T.J. Collyer

Timothy Collyer
Managing Director

Growthpoint Properties Australia Limited

FY19 – transactions.

BUY

Property acquisitions

$341m

Purchased two modern, A-Grade office buildings located at Newstead, QLD and West Perth, WA

Development pipeline

$353m

- Bldg 3, Botanicca, VIC, a 19,300 sqm A-Grade office building, completion expected in Q1 2020
- Gepps Cross, SA distribution facility leased by Woolworths undergoing a $54 million expansion
- Considering development options for 25.0 hectare Broadmeadows, VIC industrial land

SELL

Strategic divestments

$45m

Sold two non-core office buildings located at Bedford Park, SA and Cambridge, TAS

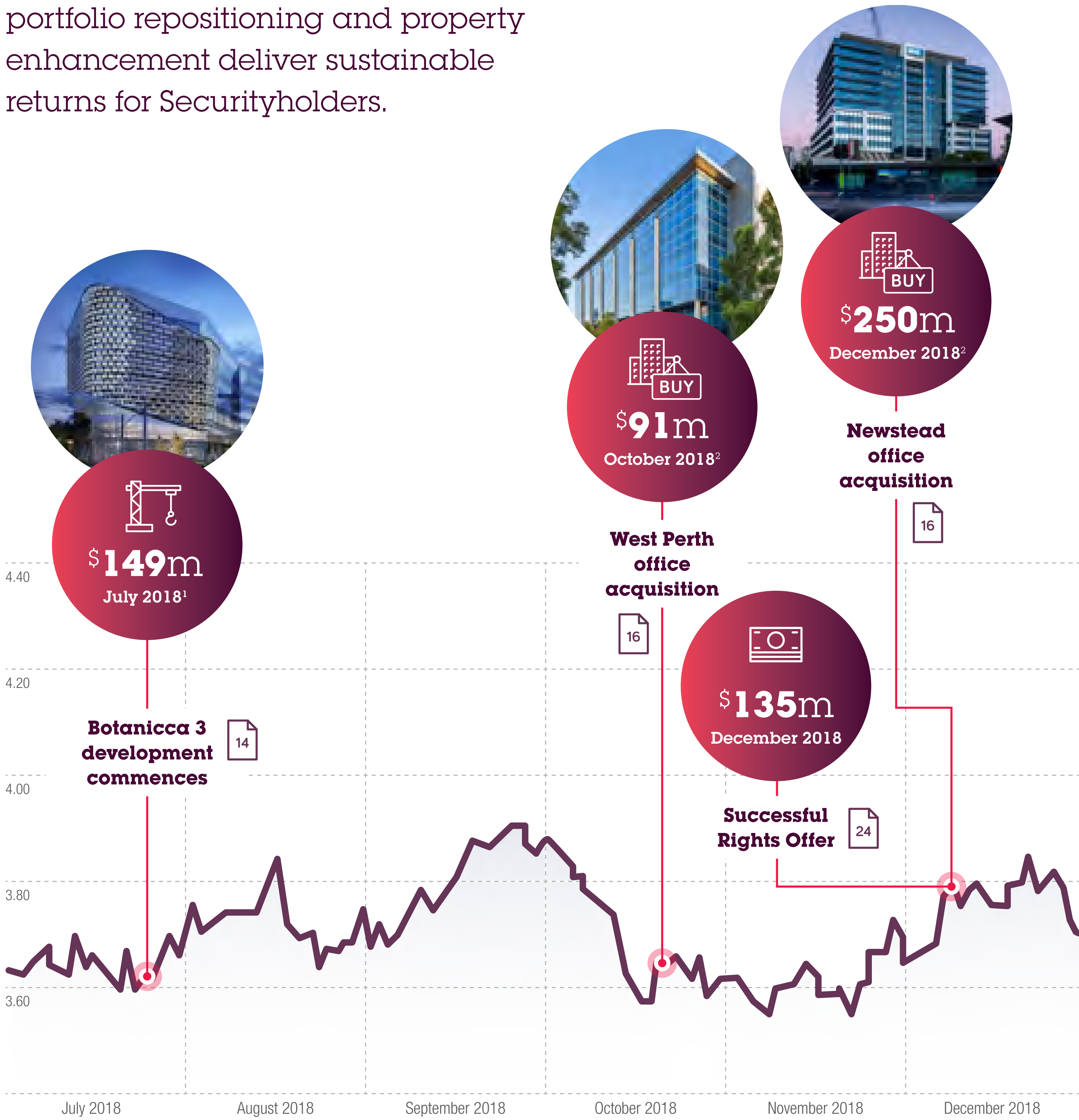
Equity & Debt

$470m

- **Equity** – successfully raised $309 million of equity via a Rights Offer, an Institutional Placement and Security Purchase Plan
- **Debt** – raised $161 million of 10 year debt in the USPP market, refinancing a prior bridge facility

Strong returns and significant transactions.

Our continued focus on acquisitions, portfolio repositioning and property enhancement deliver sustainable returns for Securityholders.



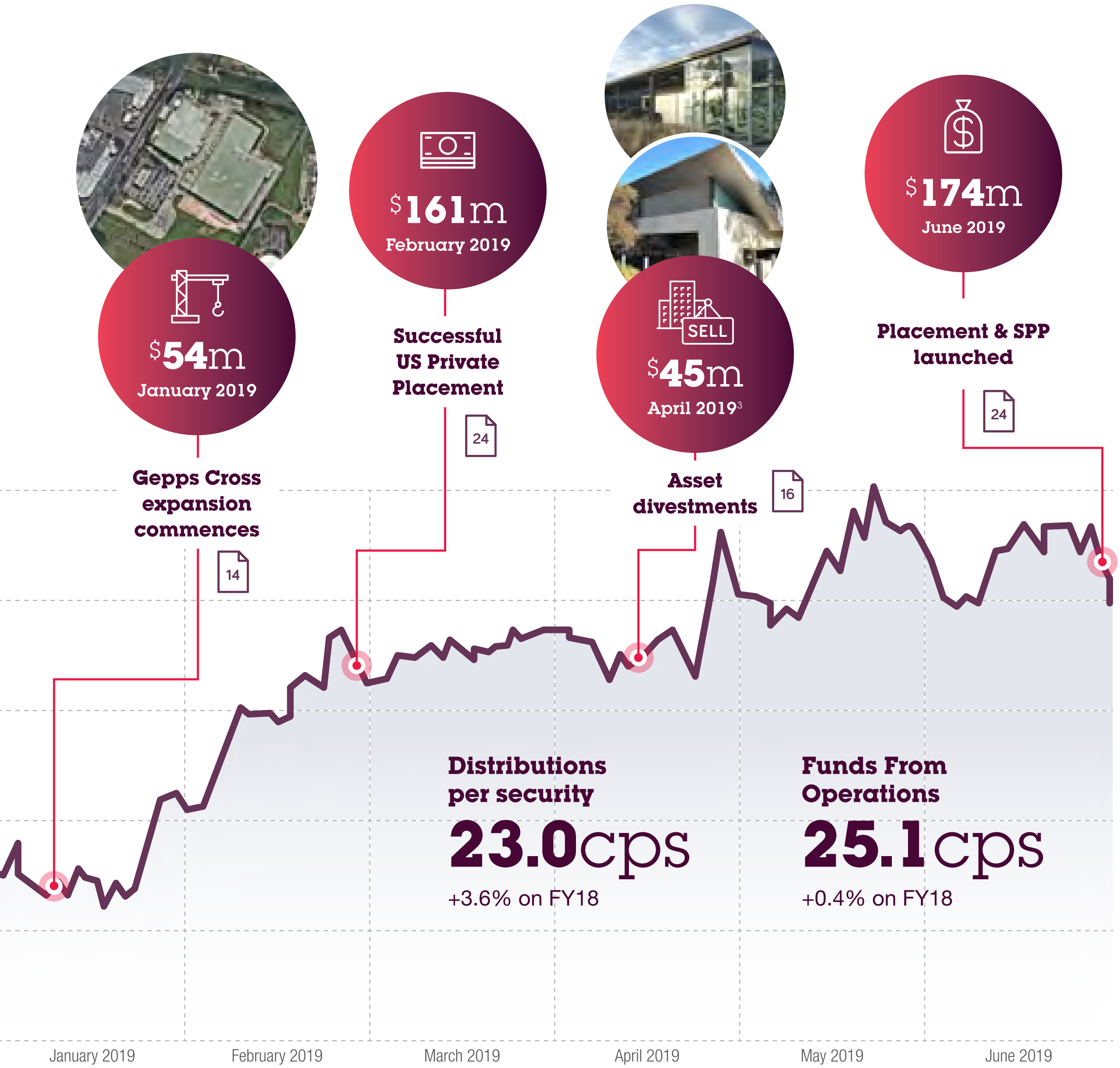
1. Market value as if complete, assuming vacant possession.
2. Prior to acquisition costs.
3. Prior to disposal costs.

Property acquisitions
$341m

Strategic divestments
$45m

Development pipeline
$353m

Equity raisings
$309m



Distributions per security
23.0cps
+3.6% on FY18

Funds From Operations
25.1cps
+0.4% on FY18

How we create value.

Growthpoint's Portfolio has grown by 10.0% on a like-for-like basis over the last 12 months, with the average market capitalisation rate now 5.9% down from 6.2% over the year.

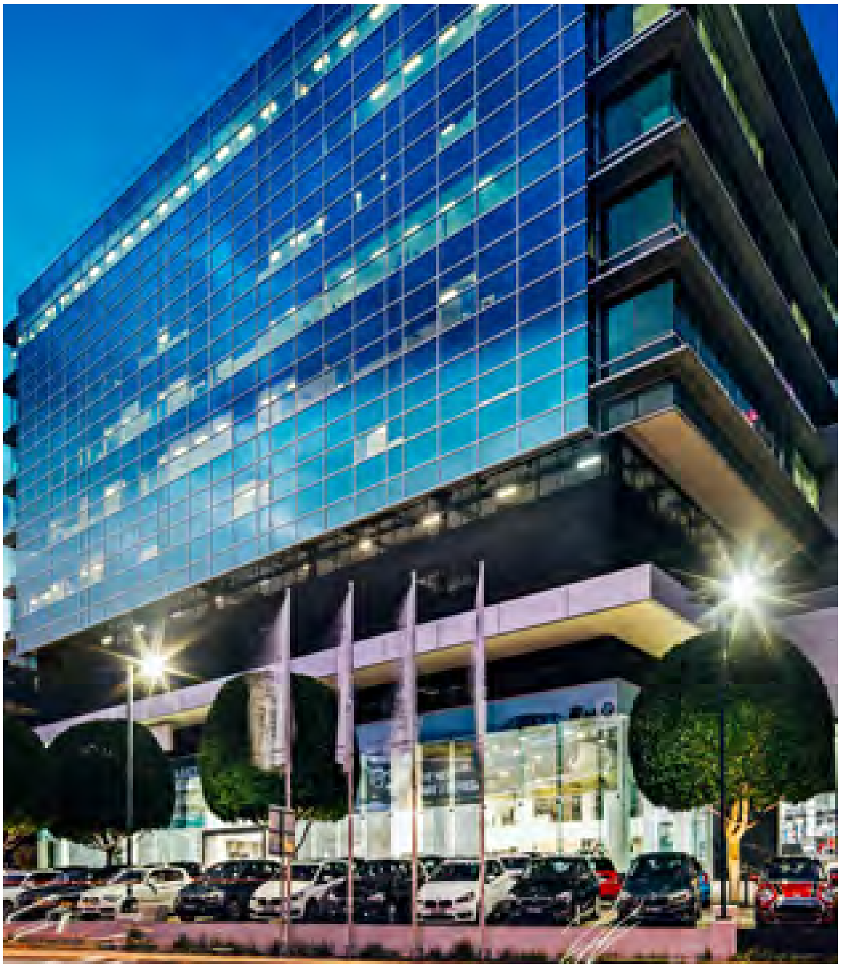
Key drivers of valuation growth have been:

Yield compression
33bps

Market rent growth[1]
2.9%

Development investment
$**72.9**m

New leasing[2]
116,901sqm



28%
increase in value since acquisition

Value creation case study:
75 Dorcas St, South Melbourne, VIC

BUY

June 2016

Purchased for

$**166.0** million

reflecting an initial yield of 6.6%

What we liked at the time:

- The high quality of the improvements and the tenant mix within the asset
- The improving market fundamentals of the St Kilda Road and Melbourne Fringe office markets
- The relatively low passing rents of the major tenants ANZ and Mondelez
- The new train station being constructed proximate to the site, creating better long-term transport linkages

June 2019

Value as at 30 June 2019

$**212.5** million

reflecting a market yield of 5.5%

What we have done:

- Extended major tenant ANZ's lease for 6 years from March 2020
- Increased rents within the property

1. Excluding 120 Northcorp Boulevard, Broadmeadows, Victoria which will likely become a development following the expiry of the existing lease.
2. Excludes an additional 29,504 sqm of leasing completed since 30 June 2019.

60%
increase in value since June 2018

Value creation case study: **599 Main North Rd, Gepps Cross, SA**

June 2018

Value as at 30 June 2018

$79.0 million

Key metrics:

- **Market yield:** 6.75%
- **WALE:** 3.1 years
- **GLA:** 67,238 sqm

June 2019

Value as at 30 June 2019

$126.0 million

reflecting market yield of 5.25%[1]

What we have done:

- Agreed terms with Growthpoint's major tenant Woolworths to expand the buildings at a cost of circa $54 million
- Growthpoint will receive a coupon for project costs at a yield of 6.75% per annum
- Lease over existing and expanded buildings resets for 15 years from practical completion, expected Q1 FY20
- Market yield 5.25%[1]
- Gross Lettable Area on completion 89,752 square metres

1. Market capitalisation rate on completion of works.

Development update.

Development project:

Construction of new 19,300 sqm office building underway in Richmond, VIC

- Construction currently tracking ahead of schedule with completion expected in first quarter of 2020
- Feedback from active tenants is positive, with a number shortlisting the development for their occupation requirements
- Expected to deliver fully let yield on development cost of between 7.5% and 8.5% with opportunity for capital gain above development cost
- **End value:** $149 million


Construction begins, July 2018

Development project:

Expansion of Woolworths Distribution Centre in Gepps Cross, SA

- Expansion including an extension of the existing temperature controlled and ambient warehouses, construction of a new recycling facility and other ancillary improvements
- Growthpoint will receive a coupon for project costs at a yield of 6.75% p.a
- Planning includes 1.5MW solar installation
- Lease extended by 15 years from practical completion which is anticipated in early FY21
- **Cost:** $54 million

Future pipeline:

Internal development opportunity under consideration[1]

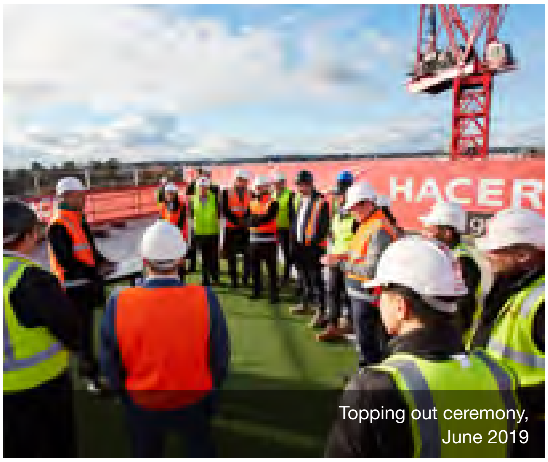
- Growthpoint is currently evaluating development options at its industrial site in Broadmeadows, Victoria
- Prime industrial site of 25 hectares in Melbourne's north, suitable for redevelopment
- Potential for an industrial estate of approximately 120,000 sqm lettable area
- **End value:** $150 million[1]


Underutilised site with site coverage of 23%

1. Broadmeadows development is subject to Board and third party approvals. On-completion value based on an estimate capital value calculated at $1,250 per sqm of lettable area. Growthpoint may also consider leasing the property 'as is' or selling the property.

Growthpoint Properties Australia

Follow us on LinkedIn to keep up to date with progress on our development projects



Topping out ceremony, June 2019

Glazing added to exterior, July 2019

Property portfolio review.

Michael Green
Chief Investment Officer

Portfolio quality improves through strategic investment and asset management initiatives within favoured office and industrial markets.

Leasing

The Group have undertaken 116,901 sqm of leasing over the past 12 months equating to approximately 11% of the portfolio's lettable area[1]. Another successful year of leasing has resulted in the portfolio occupancy being maintained at 98% and near term expiries reduced.

Leasing highlights during the year include:

- Major lease extensions to key tenants including ANZ at 75 Dorcas Street, South Melbourne, Victoria (13,744 sqm) and Paper Australia at Lots 2, 3 & 4, 34-44 Raglan Street, Preston, Victoria (14,110 sqm) have reduced potential FY20 lease expiries to 9% from 11% one year ago.
- Extending Woolworth's lease at 599 Main North Road, Gepps Cross, South Australia for 15 years post a Growthpoint funded major ~25,000 sqm expansion of the property.
- The realisation of the leasing strategy at Quads 2 and 3, Sydney Olympic Park, New South Wales, is well underway, with the response to the small suite design being very positive. 2,807 sqm has been leased over the last six months representing approximately 27% of total lettable area.

Capital Transactions

The Group has had an active and purposeful year acquiring and divesting a number of assets which has further increased the Group's diversity of tenants, WALE and exposure to core markets. Growthpoint acquired $341.3 million of modern office property at a blended yield of 6.4% with a weighted average lease expiry of 7.7 years, weighted average rent review of 3.8% and an average NABERS rating of 5.5 stars.

- In October we settled the $91.3 million acquisition of 836 Wellington Street, West Perth, Western Australia, a measured acquisition into the Perth office market.
- In December, the Group made its largest single office acquisition, purchasing the modern Bank of Queensland Headquarters building in Newstead, Queensland for $250 million on an attractive yield of 6.1%.

Growthpoint has also taken advantage of buoyant market conditions to divest two properties which were no longer considered core assets within the portfolio. The Bedford Park, South Australia and Cambridge Park, Tasmania properties were originally acquired via the successful takeover of the Rabinov Property Trust. Post extending Westpac's lease for a second time at the Bedford Park property, the Group decided to take both the assets to market. Proceeds from the sale will be used to fund Growthpoint's development pipeline and future acquisitions.

Total portfolio value
$3,983.8m
(30 June 2018: $3,356.1m)

Portfolio occupancy
98%
(30 June 2018: 98%)

WALE
5.0yrs
(30 June 2018: 5.3 years)

Number of assets	**57**
Total lettable area	**1,026,466 sqm**
Weighted average capitalisation rate	**5.9%**
WARR[2]	**3.3%**
Weighted average property age	**11.3 years**
Average value (per sqm)	**$3,881**
FY net property income[3]	**$225.4m**
Number of tenants	**155**

1. Excludes an additional 29,504 sqm of leasing completed since 30 June 2019.
2. Assumes CPI change of 1.6% per annum as per Australian Bureau of Statistics release for FY19.
3. Excludes IDR distributions.

100 Skyring Terrace, Newstead, QLD

Property portfolio review
continued

Development

The Group's Botanicca 3 Development in Richmond, Victoria is progressing well, with the structure "topping out" in June 2019. The 19,300 sqm development is on target to achieve practical completion in Q1 2020. The well-designed building is garnering a lot of interest via various tenants in the market and the Group is hopeful of announcing leasing progress soon. On completion it is expected that the property will be worth approximately $150 million and will provide the Group a yield on cost of between 7.5% and 8.5%.

In January 2019, we announced that we would be partnering with our major tenant Woolworths to expand their South Australian Regional Distribution Centre at a cost of approximately $54 million and a yield on cost of 6.75%.

The expansion will add an additional 25,000 sqm of gross lettable area to the site and the Woolworths lease will be extended by 15 years from completion (practical completion anticipated in Q1 2020).

Over the next 12 months the Group's development focus will turn to 120 Northcorp Boulevard, Broadmeadows, Victoria, where Woolworths will vacate the 25-hectare site in February 2020. The site has the potential for an industrial estate of approximately 120,000 sqm of gross lettable area with an estimated value on completion of approximately $150 million[1].

Valuations

Growthpoint's portfolio is well situated within the markets of office and industrial logistics.

The portfolio has increased on a like-for-like basis by 10.0% or $330.9 million over the last 12 months with the average market capitalisation rate for the portfolio moving to 5.9% from 6.2%.

The continued strength in the capital and national office occupier markets has resulted in another positive year of valuation growth for Growthpoint's office portfolio. With Growthpoint's office assets situated in favoured CBD and metropolitan office locations throughout Australia there has been sustained valuation growth of 11.5% on a like-for-like basis since 30 June 2018.

Industrial logistics property is widely regarded as the global property sector of choice and this has been reflected in capital market transaction activity, yields continue to fall and logistics land values appreciate. Growthpoint's modern and well-located portfolio has performed well with valuations increasing by 7.1% on a like-for-like basis since 30 June 2018.

Looking Ahead

Growthpoint's successful $174 million equity raising in July 2019 has provided the Group with significant capacity for future acquisitions. As always, we will maintain a disciplined approach to acquisitions and seek to maximise value for our Securityholders.

With approximately 7% of the portfolio to lease over the next 12 months[2], the focus is on ensuring early engagement with tenants well in advance of future expiries and leasing the Botanicca 3 development in Richmond, Victoria.

We will also be focusing on delivering our two major developments in a timely manner and finalising our future strategy for our exciting potential development on our 25-hectare industrial site in Broadmeadows, Victoria.

Case study:
6 Parkview Drive, Sydney Olympic Park, New South Wales

Creating flexible spaces for small businesses

Growthpoint identified a gap in the office market for small businesses seeking good quality, flexible office accommodation.

Growthpoint worked with their leasing agents, GJS Property, and project delivery team, Intermain to provide the specification and layout suited to small business.

The spaces created by Growthpoint have been extremely successful as they not only provide solutions for flexible working, but also offer a central Sydney location in Sydney Olympic Park, which is an attractive geographic location for businesses whose clients are located throughout Sydney.

1. Broadmeadows development is subject to Board and third party approvals. On-completion value based on an estimate capital value calculated at $1,250 per sqm of lettable area. Growthpoint may also consider leasing the property 'as is' or selling the property.
2. Excluding 120 Northcorp Boulevard, Broadmeadows, Victoria.

6 Parkview Drive,
Sydney Olympic Park, NSW

6 Parkview Drive,
Sydney Olympic Park, NSW

6 Parkview Drive,
Sydney Olympic Park, NSW

Top ten tenants

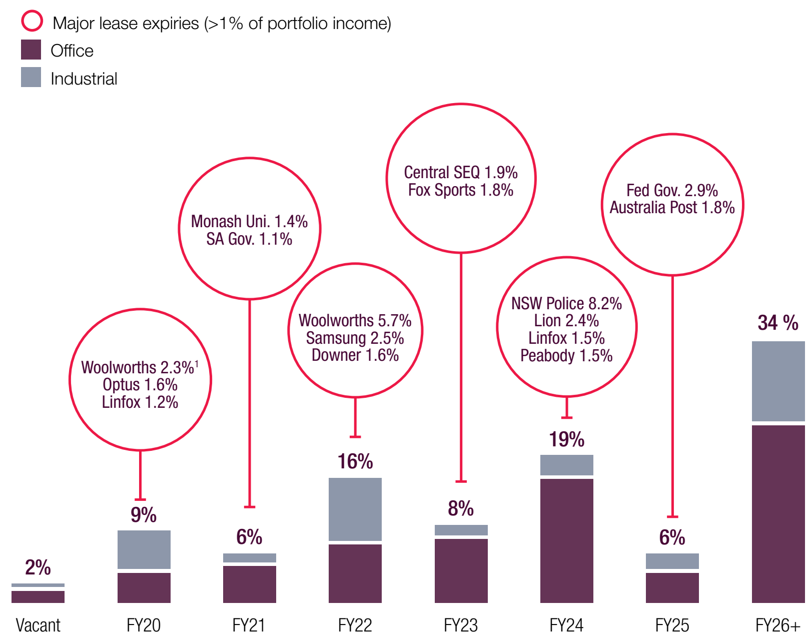
by passing rent, as at 30 June 2019

	%	WALE (yrs)
Woolworths	14	5.3
NSW Police	8	4.9
Commonwealth of Australia	8	7.0
Bank of Queensland	4	7.6
Linfox	4	3.9
Country Road Group	3	13.0
Samsung Electronics	3	2.7
Lion	2	4.8
ANZ Banking Group	2	6.7
Jacobs Group	2	7.3
Total / weighted Average	**50**	**6.1**
Balance of portfolio	50	3.9
Total portfolio	**100**	**5.0**

● Office ● Industrial

Portfolio lease expiry profile (%)

per financial year, by income



1. Refers to Broadmeadows, Victoria property which may be removed if developed or sold.

Portfolio summary.

As at 30 June 2019

Growthpoint owns the largest metropolitan office portfolio in the A-REIT sector, together with CBD office assets and a large industrial portfolio.

Total office assets

26

(30 June 2018: 26)

Total industrial assets

31

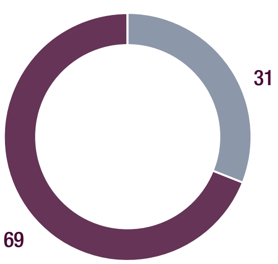
(30 June 2018: 31)

Portfolio occupancy

98%

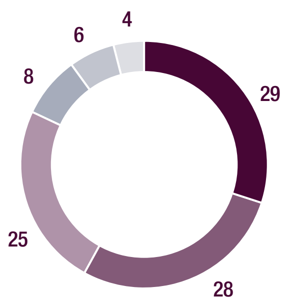
(30 June 2018: 98%)

Sector diversity (%)
by property value,
as at 30 June 2019



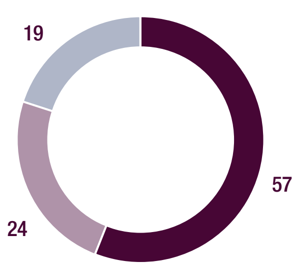
Office
Industrial

Geographic diversity (%)
by property value,
as at 30 June 2019

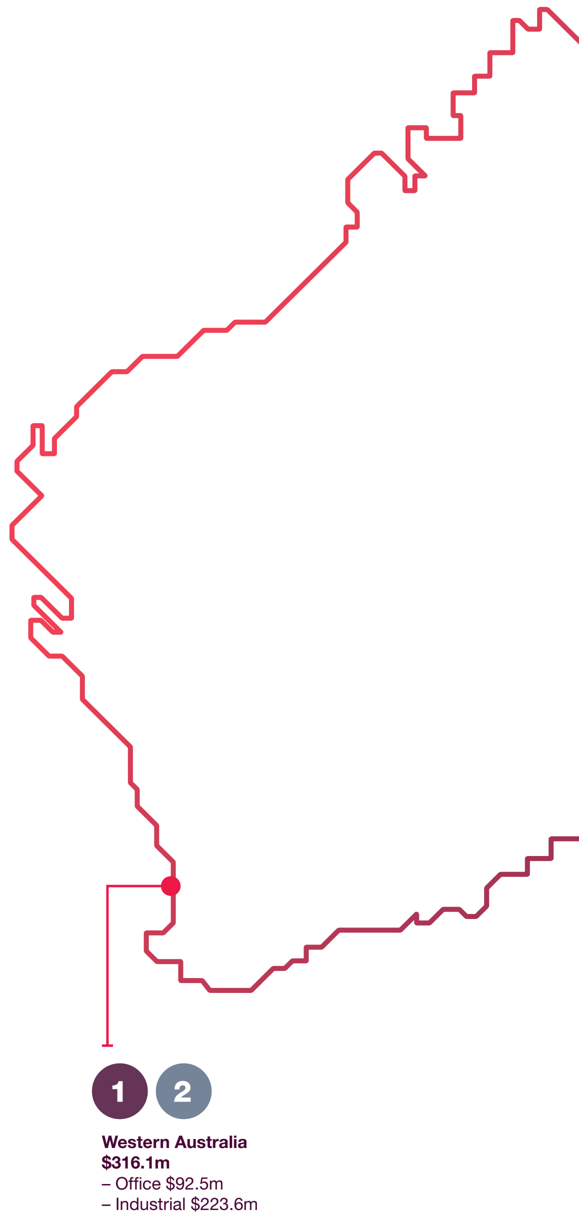


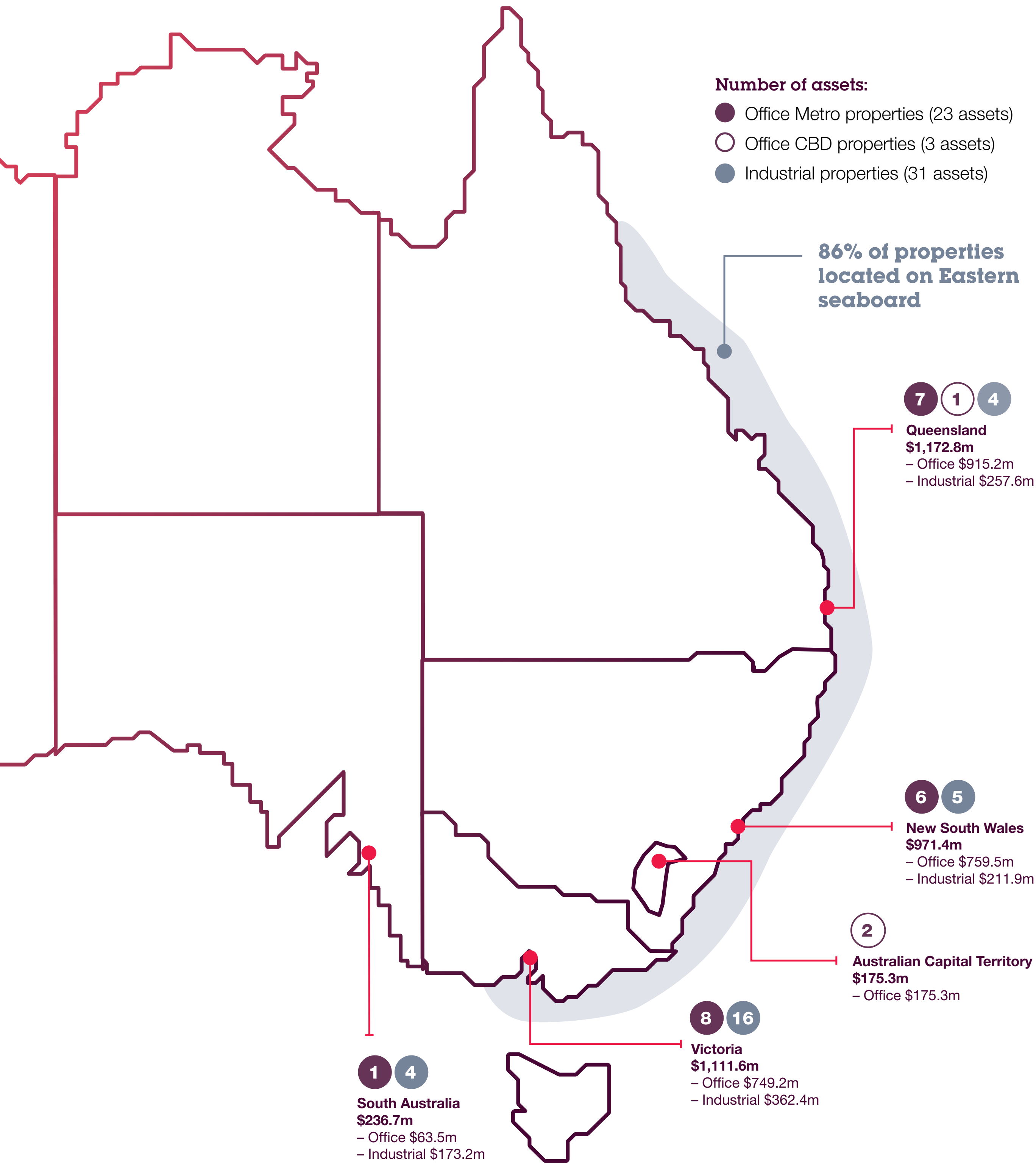
Queensland
Victoria
New South Wales
Western Australia
South Australia
Australian Capital Territory

Tenant type (%)
by income,
as at 30 June 2019



Listed company
Government owned
Private company & other




Number of assets:
Office Metro properties (23 assets)
Office CBD properties (3 assets)
Industrial properties (31 assets)
86% of properties located on Eastern seaboard
7 1 4
Queensland
$1,172.8m
– Office $915.2m
– Industrial $257.6m
6 5
New South Wales
$971.4m
– Office $759.5m
– Industrial $211.9m
2
Australian Capital Territory
$175.3m
– Office $175.3m
8 16
Victoria
$1,111.6m
– Office $749.2m
– Industrial $362.4m
1 4
South Australia
$236.7m
– Office $63.5m
– Industrial $173.2m

Sustainability.
Committed to sustainable growth.

Building efficiency

- Average NABERS Energy rating increased to 4.8 stars (FY18: 4.6 stars)
- Recent acquisitions average in excess of 5.5 stars

Climate change

- Tracking favourably towards our 2021 target of 10% GHG emissions reduction, currently at 4%

Sustainable governance

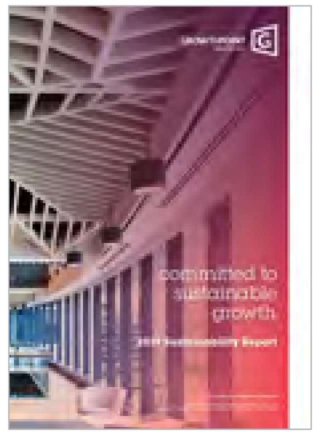
- Improved efficiencies in risk governance and compliance through adoption of a refreshed Risk Management framework
- Implementation of online GRC monitoring platform

Renewable energy

- Developing a renewable energy purchasing strategy
- On-site solar projects under development at Botanicca 3, Richmond, VIC, Gepps Cross, SA and Dorcas Street, South Melbourne, VIC

Tenant engagement

- Tenant experience survey reported overall tenant satisfaction at 70%. Opportunities available to continue to strengthen tenant relationships
- Ongoing engagement with tenants promoting sustainability initiatives



Further information can be found in the 2019 Sustainability Report: **growthpoint.com.au/sustainability/operating-sustainably/**

5 Murray Rose Avenue, Sydney Olympic Park, NSW

Financial management.

Dion Andrews
Chief Financial Officer

Growthpoint has once again delivered strong returns for Securityholders. Accretive acquisitions funded by well supported equity raisings and issuance of long-term debt have seen FFO per security increase to 25.1 cents, up 2.0% on the initial FY19 guidance given of at least 24.6 cents.

Highlights for FY19

- FFO of 25.1 cents per security, a 0.4% increase on FY18
- Distributions of 23.0 cents per security, an increase of 3.6% on FY18, equating to a payout ratio to FFO of 91.6%
- FY20 FFO guidance provided as 'at least' 25.4 cents per security
- NTA per security of $3.52[1], 10.3% above 30 June 2018
- Gearing of 30.1%[1], 380 basis points lower than 30 June 2018
- Successful completion of $135 million Rights Offer in December 2018, achieving oversubscriptions on both the institutional and retail components
- Successful completion of $150 million Institutional Placement, achieving oversubscriptions, and $23.6 million Security Purchase Plan (both settled in early FY20)
- All-in cost of debt reduced from 4.4% p.a. at 30 June 2018 to 4.1% p.a.[1]

Summary

FY19 provided strong returns for Securityholders, with distributions per security increasing 3.6% to 23.0 cents per security. The Group was able to achieve this growth whilst executing on key property transactions and maintaining disciplined capital management in line with strategy.

In December 2018, the Group raised $135 million of equity to partially fund the acquisition of 100 Skyring Terrace, Newstead, Queensland. There was significant appetite for new securities resulting in oversubscriptions across both the institutional and retail components. This acquisition was also partially funded by a $150 million short-term bridge facility with the intention to repay this via a debt market issuance.

In May 2019, Growthpoint once again issued into the 10-year US Private Placement market, raising AUD161 million. The proceeds of this raising were used to repay the bridge facility and increase the weighted average debt maturity profile for the Group.

To bookend the year, the Group reset its interest rate swap book and launched a fully underwritten Institutional Placement on 27 June 2019, raising $150 million. The transaction settled on 2 July with new securities first trading on 3 July (a Security Purchase Plan raised a further $23.6 million in July). The proceeds were initially used to repay debt with gearing reducing to 30.1%[1] after the repayment.

Funds From Operations (FFO)

25.1cps

+0.4% on FY18

Distributions

23.0cps

+3.6% on FY18

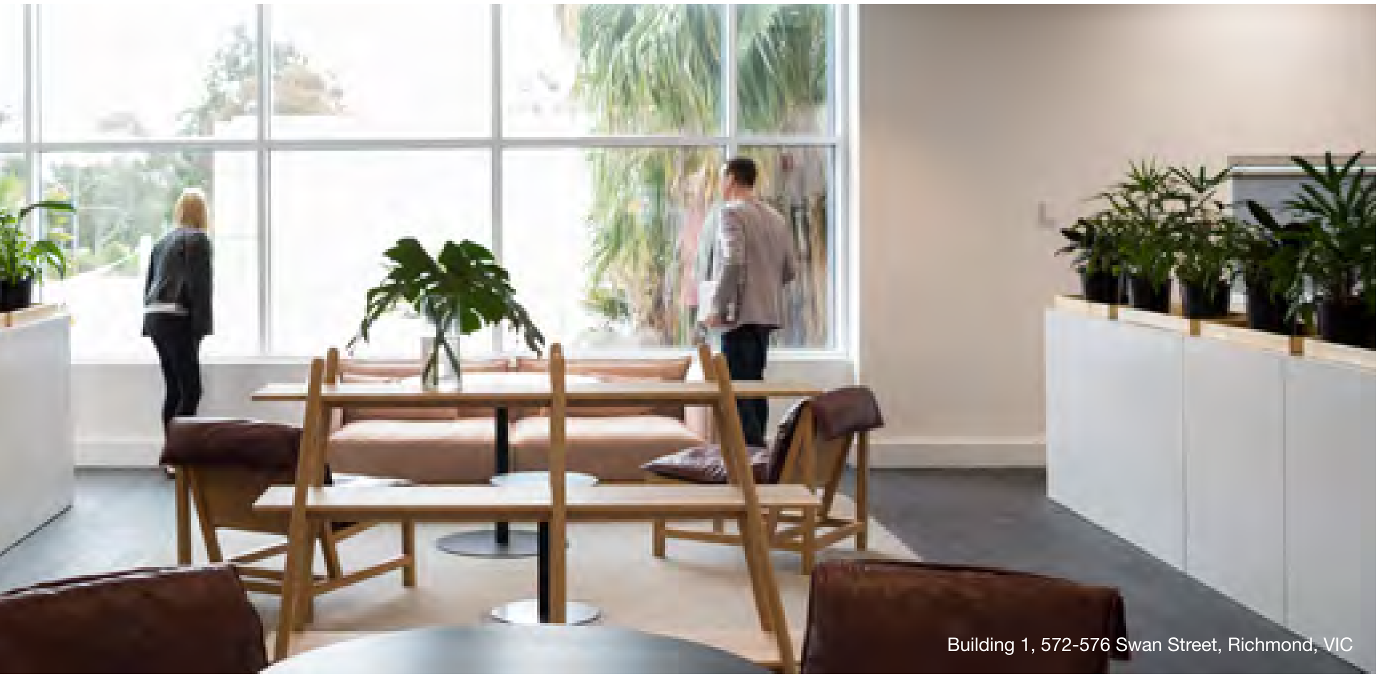
Gearing below target range of 35-45%

30.1%[1]

(30 June 2018: 33.9%)

NTA per security	**$3.52[1]**
Fixed debt %	**76%[1]**
Weighted average debt maturity (WADM)	**4.6 years**
FY20 FFO Guidance	at least **25.4cps**
FY20 Distribution Guidance	**23.8cps**

1. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds



Building 1, 572-576 Swan Street, Richmond, VIC

Stress Testing Covenants

Growthpoint has three main debt and lending covenants which are regularly stress tested.
They are:

Loan to value ratio (LVR) <60%
(currently 36.4%)
To breach this covenant the GOZ cap rate would need to rise by
392bps[1]

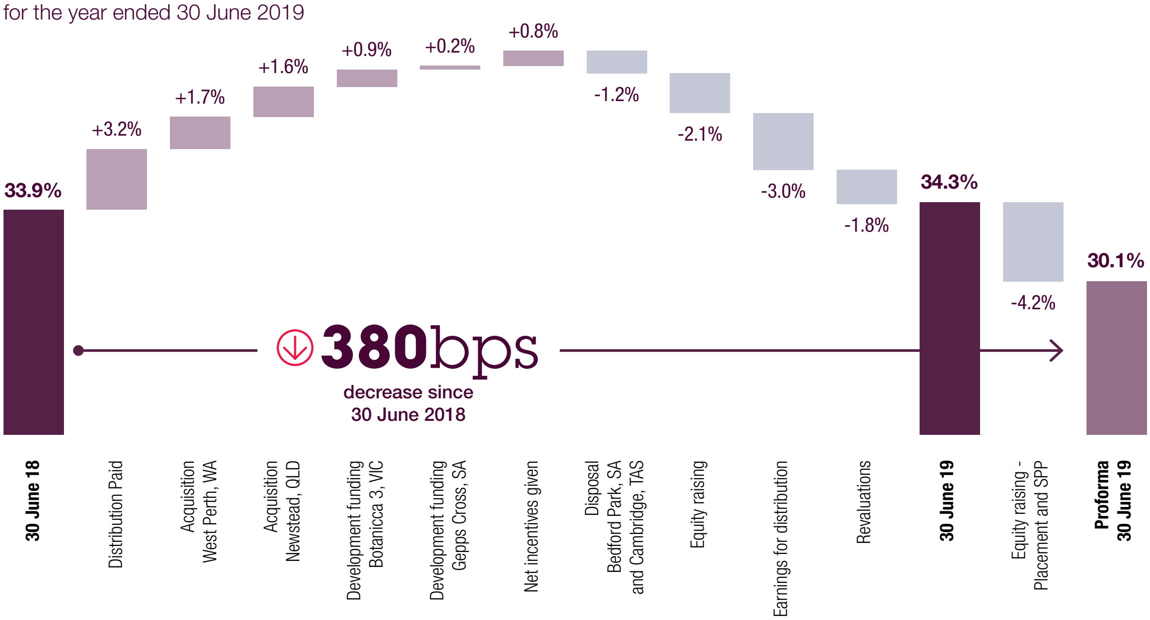
Interest coverage ratio (ICR) >1.6x
(currently 4.1x)
To breach this covenant, Net Property Income would need to fall by
60.5%[1]

Secured property percentage >85%
(currently 97.9%)
Secured property percentage must remain above
85%

1. For illustrative purposes only as at 30 June 2019 balance date and assumes no change to other inputs that could impact the calculation of this metric.

Items influencing gearing (%)

for the year ended 30 June 2019



Financial management
continued

Key debt metrics and changes during FY19

		30 June 2019 Proforma	30 June 2018	Change
Gross assets	*$'000*	**4,117,860**	3,474,569	643,291
Interest bearing liabilities	*$'000*	**1,262,510**[1]	1,197,555	64,955
Total debt facilities	*$'000*	**1,684,524**	1,523,482	161,042
Undrawn debt	*$'000*	**416,525**[1]	320,000	96,525
Gearing	*%*	**30.1**[1]	33.9	(3.8)
Weighted average interest rate	*%*	**4.1**	4.4	(0.3)
Weighted average debt maturity	*years*	**4.6**	5.0	(0.4)
Annual Interest Coverage Ratio (ICR) / Covenant ICR	*times*	**4.1 / 1.6**	3.9 / 1.6	0.2 / –
Actual Loan to Value Ratio (LVR) / Covenant LVR	*%*	**36.2 / 60**	36.1 / 60	(0.1) / –
Weighted average fixed debt maturity	*years*	**5.6**	5.5	0.1
% of debt fixed	*%*	**76**[1]	82	(6)
Debt providers	*no.*	**17**	17	–

Revaluation gains across both the office and industrial portfolios supported strong growth in NTA per security and helped maintain gearing below the bottom of the Group's target range. The chart on the previous page highlights the movements impacting gearing.

Debt strategy[1]

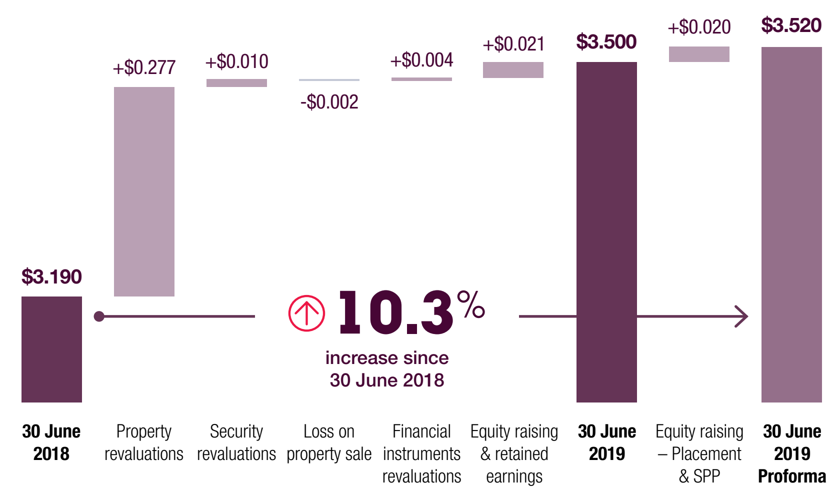
Growthpoint retains good access to debt through both local banking relationships and offshore debt capital markets.

Following the settlement of the equity raising launched in June 2019, the Group held $417 million of undrawn debt to help fund acquisitions and identified office and industrial developments with a potential end value of over $350 million. Growthpoint will continue to target approximately $100 million as an undrawn balance to allow for flexibility in transactions, while aiming to keep the cost of undrawn debt lines low.

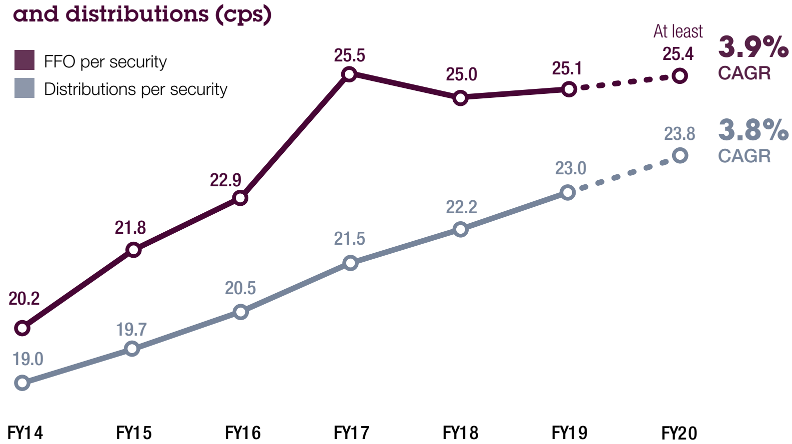
Growthpoint's fixed debt percentage fell to 76%[1] from 82% at 30 June 2018, partly as a result of the reset of the interest rate swap book in June 2019. The various debt transactions over FY19 meant the Group's weighted average debt maturity was 4.6 years at 30 June 2019.

1. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds

Movements in NTA ($)
per stapled security



Long-term growth in FFO and distributions (cps)



Funds From Operations (FFO)

FFO 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, investment in securities and interest rate swaps, depreciation, profits or losses on sale of investment properties, deferred tax and amortisation of tenant incentives. FFO is non-IFRS financial information and has not been subject to review by the Group's external auditors.

FFO 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.

Reconciliation from statutory profit to FFO

	FY19	FY18	Change	% Change
	$'000	*$'000*	*$'000*	*%*
Profit after tax	**375,292**	**357,709**	**17,583**	**4.9**
Less non-FFO items:				
- Straight line adjustment to property revenue	(6,237)	(5,962)	(275)	
- Net changes in fair value of investment property	(201,581)	(166,958)	(34,623)	
- (Profit)/ loss on sale of investment property	1,144	(24,419)	25,563	
- Net change in fair value of investment in securities	(7,109)	(10,368)	3,259	
- Net change in fair value of derivatives	(3,147)	573	(3,720)	
- Depreciation	269	293	(24)	
- Amortisation of incentives	19,337	16,327	3,010	
- Deferred tax benefit	25	(117)	142	
FFO	**177,993**	**167,078**	**10,915**	**6.5**

The FY19 payout ratio, calculated as distributions on ordinary stapled securities divided by FFO, was 91.6% (FY18: 88.8%).

Details about distribution components under the attribution managed investment trust or "AMIT" regime (only relevant for the full year distribution) and Fund Payment amounts (only relevant for foreign holders) will be made available on Growthpoint's website on or before the relevant distribution date.

For more information go to:

growthpoint.com.au/investor-centre/distributions/

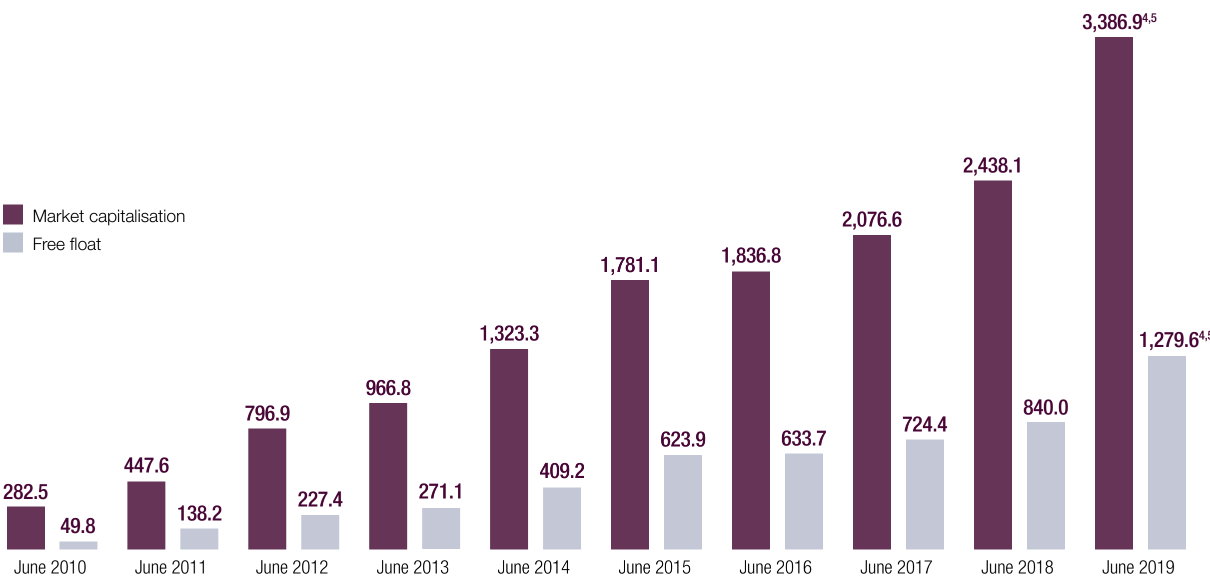
Operating and capital expenses

Operating expenses		**FY19**	FY18
Total operating expenses	*$'000*	**13,943**	13,362
Average gross assets value	*$'000*	**3,821,142**	3,377,737
Operating expenses to average gross assets	*%*	**0.36**	0.40

Capital expenditure		**FY19**	FY18
Total portfolio capex	*$'000*	**12,869**	10,315
Average property asset value	*$'000*	**3,637,775**	3,236,038
Capital expenditure to average property portfolio value	*%*	**0.35**	0.32

10 year financial performance summary.

As at 30 June		2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Financial performance											
Investment income	*$m*	**492.9**	466.3	383.4	302.1	361.5	198.5	171.5	115.8	97.6	91.2
Profit for the period	*$m*	**375.3**	357.7	278.1	219.4	283.0	117.3	94.0	49.5	43.4	46.7
Financial position											
Total assets (at 30 June)	*$m*	**4,117.9**	3,474.6	3,328.4	2,879.6	2,407.1	2,128.8	1,680.4	1,607.1	1,190.1	774.8
Total equity (at 30 June)	*$m*	**2,717.3**[4]	2,157.0	1,901.5	1,522.4	1,411.5	1,165.1	804.1	733.2	478.6	324.0
Securityholder value											
Basic and diluted earnings per security	*¢*	**52.9**	53.5	42.7	38.1	50.4	25.7	23.7	15.2	21.5	34.5
Funds From Operations per security	*¢*	**25.1**	25.0	25.5	22.9	21.8	20.2	N/A[1]	N/A[1]	N/A[1]	N/A[1]
Distributions per security	*¢*	**23.0**	22.2	21.5	20.5	19.7	19.0	18.3	17.6	17.1	14.0
Total Securityholder return[2]	*%*	**21.0**	22.3	6.3	7.4	36.4	10.8	23.6	21.6	15.5	N/A[3]
Return on equity	*%*	**16.9**	18.5	18.6	13.5	23.9	17.5	13.1	4.8	7.4	20.6
Gearing (at 30 June)	*%*	**30.1**[4]	33.9	38.5	41.2	36.3	40.3	46.8	45.6	56.1	58.8
NTA per security (at 30 June)	*$*	**3.52**[4]	3.19	2.88	2.61	2.48	2.16	2.00	1.93	2.01	2.03
Market capitalisation (at 30 June)	*$m*	**3,386.9**[4,5]	2,438.1	2,076.6	1,836.8	1,781.1	1,323.3	966.8	796.9	447.6	282.5

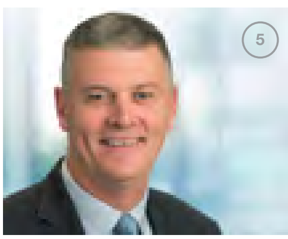


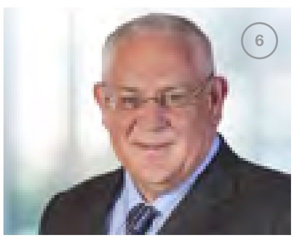
Market capitalisation and free float ($m)

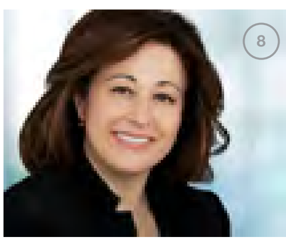
1. Not applicable, no data available for these periods.
2. Source: UBS Investment Research.
3. Not applicable due to restructuring that occurred part way through the year.
4. Pro forma for the settlement of the Institutional Placement and Security Purchase Plan launched in FY19 but settled in early FY20, raising $174 million for the issue of 43.7 million securities and the repayment of debt from those proceeds.
5. Pro forma, using the closing price of $4.39 on 31 July 2019, multiplied by 771.5 million securities on issue.


70 Distribution Street, Larapinta, QLD

Board of Directors.







Board expertise matrix (no.)

●●●●○○○○	Independence
●●●●●●●●	Listed entity
●●●●●●○○	Property industry
●●●○○○○○	Property valuation
●●●○○○○○	Accounting
●●●●●●●●	Corporate finance
●●●●○○○○	Financial Services
●●●●●●●●	Corporate Governance
●●○○○○○○	Legal
●●●●●●○○	Compliance
●●●●●●○○	Audit
●●●●●●●●	Risk

1. Geoffrey Tomlinson (71)
BEC

Independent Chairman (since 1 July 2014) and Director (since 1 September 2013)

Over 46 years' experience in the financial services industry.

Committees: Audit, Risk & Compliance and Nomination, Remuneration & HR

Current Australian directorships of listed public companies[4]: IRESS Limited

2. Timothy Collyer (51)
B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD

Managing Director (since 12 July 2010)

Over 30 years' experience in A-REITs and unlisted property funds, property investment, development and valuations.

Current Australian directorships of listed public companies[4]: Nil

3. Maxine Brenner (57)
BA, LLB

Independent Director (since 19 March 2012)

Maxine has over 28 years' experience in corporate advisory, mergers and acquisition, financial and legal advisory work.

Committees: Audit, Risk & Compliance (Chair)

Current Australian directorships of listed public companies[4]: Orica Limited, Origin Energy Limited and Qantas Airways Limited

4. Estienne de Klerk (50)
BCom (Industrial Psych), BCom (Hons) (Marketing), BCom (Hons) (Acc), CA (SA)

Director[1] (since 5 August 2009)

Over 22 years' experience in banking and property finance and over 16 years' in the listed property market.

Committees: Audit, Risk & Compliance

Current Australian directorships of listed public companies: Nil

5. Grant Jackson (53)
Assoc. Dip. Valuations, FAPI

Independent Director (since 5 August 2009)

Over 33 years' experience in the property industry, including 29 years as a qualified valuer.

Committees: Audit, Risk & Compliance

Current Australian directorships of listed public companies[4]: Nil

6. Francois Marais (64)
BCom, LLB, H Dip (Company Law)

Director[2] (since 5 August 2009)

Over 28 years' experience in the listed property market.

Committees: Nomination, Remuneration & HR

Current Australian directorships of listed public companies: Nil

7. Norbert Sasse (54)
BCom (Hons) (Acc), CA (SA)

Director[3] (since 5 August 2009)

Over 23 years' experience in corporate finance and over 16 years' experience in the listed property market.

Committees: Nomination, Remuneration & HR (Chair)

Current Australian directorships of listed public companies: Nil

8. Josephine Sukkar AM (55)
BSc (Hons), Grad Dip Ed

Independent Director (since 1 October 2017)

Over 29 years' experience in the construction industry.

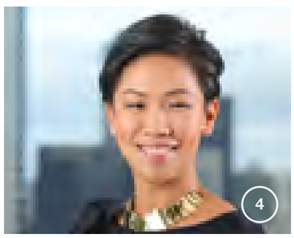
Committees: Nomination, Remuneration & HR

Current Australian directorships of listed public companies: Nil

Full bios on all Directors can be found online at **growthpoint.com.au/about/board/**

1. Not deemed independent as South African CEO of Growthpoint Properties Limited (GRT).
2. Not deemed independent as Chairman of GRT.
3. Not deemed independent as Group CEO of GRT.
4. In addition to Group entities.

Executive Management.



1. Timothy Collyer
B.Bus (Prop), Grad Dip Fin & Inv, AAPI, F Fin, MAICD
Managing Director (since 12 July 2010)
Over 30 years' experience in A-REITs and unlisted property funds, property investment, development and valuations.

2. Michael Green
B.Bus (Prop)
Chief Investment Officer
Over 18 years' experience in listed and unlisted property fund management, property investment and development.

3. Dion Andrews
B.Bus, FCCA, GAICD
Chief Financial Officer, Company Secretary (since 8 May 2014)
Over 17 years' experience in accounting roles in a corporate capacity.

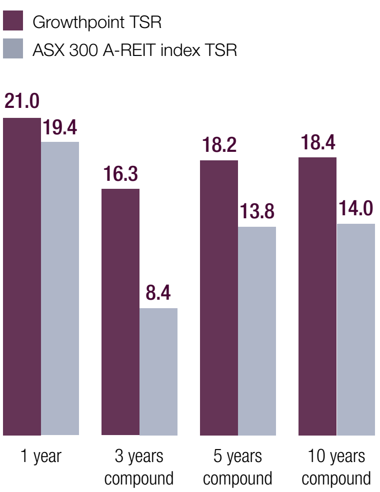
4. Yien Hong[1]
LLB (Hons), B.Comm, B.Arts, MAICD
General Counsel & Company Secretary (since 13 April 2018)
Over 21 years' experience across debt finance, property, funds, M&A, structured finance, derivatives and project finance as well as risk management and governance.

Full bios on all Executive Management can be found online at **growthpoint.com.au/about/executive-management/**

1. Yien Hong has been appointed Company Secretary and General Counsel on contract. A new Company Secretary and General Counsel has been appointed and will start on 26 August 2019.

Remuneration report.

Norbert Sasse
Director



Growthpoint returns continue to outperform (%)[1]

On behalf of the Board of Growthpoint Properties Australia (Group), I am pleased to present our FY19 Remuneration Report.

The primary objective of the Group remains to provide our Securityholders with a growing income stream and long-term capital appreciation. Remuneration of the Key Management Personnel (KMP) and staff at Growthpoint is tied closely to the success in achieving these objectives in a sustainable way, and the Growthpoint remuneration framework is based on both financial and non-financial outcomes of the Group as they relate to both strategy and performance.

The FY19 remuneration report reflects another year of strong growth in Securityholder returns. Declared distributions over FY19 amounted to 23.0 cents per security, representing 3.6% growth on FY18. During December 2018 and July 2019, the Group carried out two capital raisings – one by way of a pro-rata non-renounceable rights issue and one by way of an Institutional Placement, followed by a Security Purchase Plan. These events were both well received by the market and has meant that the Group added to its index weighting in the ASX A-REIT 200 Accumulation Index. As a result, the performance measures under the long-term incentive plan of Total Shareholder Return (TSR) and Return On Equity (ROE) will be measured against the ASX A-REIT 200 Accumulation Index as a more relevant index from FY20 onwards.

Strong share price growth over the year delivered Securityholders with TSR of 21.0% to 30 June 2019, exceeding the ASX A-REIT 300 Accumulation Index return of 19.4%[1]. This continues a long period of outperformance on this metric for the Group, as can be seen from the graph on the left.

Funds from Operations (FFO) over the year continued to grow, increasing by 0.4% to 25.1 cents per security following upgrades to guidance during FY19. The Group continues to grow its distributions year on year and the Board recognises the Group's ability to continue growing distributions for Securityholders relies predominantly on its ability to continue growing earnings. Growth in these financial outcomes will continue to be linked as they have been over the long-term. The table below provides medium to long-term growth rates for FFO and distributions per security.

Compound annual growth rates (CAGR)

	FY14	FY17	FY19	2 year CAGR	5 year CAGR
FFO per security (cents)	20.2	25.5	**25.1**	(0.8%)	**4.4%**
Distribution per security (cents)	19.0	21.5	**23.0**	3.4%	**3.9%**
NTA per security (cents)	216.0	288.0	**350.0**	10.2%	**10.1%**

1. Source: UBS Investment Research: Annual compound returns to 30 June 2019.


100 Skyring Terrace, Newstead, QLD

The Board is also pleased to report strong sustainability outcomes over the year, especially the commencement of the review of climate related financial disclosures, risk and governance frameworks and tenant engagement. Our GRESB score for the calendar year 2017 continues to show improvement, increasing by 3.1% over the prior year. The Group also maintained an above-average CDP score of B. More information on the Group's performance on sustainability can be found in the FY19 Sustainability Report.

What's changed

There were three key changes implemented for FY19 to ensure the Group was maintaining best practice across the sector and more broadly the ASX 200. These changes were highlighted in the FY18 Remuneration Report. The key changes were:

1. Changed the backward-looking LTI structure to a forward-looking structure to align more closely with market practice;
2. Introduced deferral for part of the STI awarded to KMP, with two thirds paid as cash and one third paid in performance rights (Short-term Performance Rights) which vest over two years and;
3. Introduced a Minimum Securityholding Requirement (MSR) where Non-Executive Directors are required to hold 100% of base fees, the Managing Director is required to hold 100% of Total Fixed Remuneration (TFR) and other KMP are required to hold 50% of their TFR in Growthpoint securities by the end of FY22.

The Committee believes these changes will further align compensation of KMP with the interests of Securityholders. The Group continues to receive positive feedback on its remuneration structures and received a 99.4% vote "for" the FY18 Remuneration Report at the AGM held in November 2018.

The Committee maintained an ongoing engagement with PWC in FY19 to benchmark KMP remuneration packages and Director and Committee fees against the A-REIT sector and other ASX listed companies. This allowed the Committee to ensure consistency and to be assured of being within market ranges for remuneration and benefits.

The only change implemented to FY20 Remuneration structures is that the LTI comparator group will change from the S&P ASX300 REIT Index to the S&P ASX200 REIT Index. This comparator group is judged to be more relevant given the market capitalisation of Growthpoint. There are also TFR market adjustments for Executive KMP and Non-executive Directors for FY20.

The Committee and the Board remain committed to implementing remuneration policies that incentivise KMP and staff to execute and deliver on the strategy of the Group in the best long-term interests of Securityholders.

Norbert Sasse
Chair - Nomination, Remuneration and HR Committee

What's inside.

About the Remuneration Report

The Directors present this "**Remuneration Report**" for the Group for the year ended 30 June 2019. This report summarises key compensation policies and provides detailed information on the compensation for Directors and other KMP.

The specific remuneration arrangements described in the report apply to the Managing Director and the KMP as defined in AASB 124 and to the Company Secretaries as defined in section 300A of the *Corporations Act 2001* (Cth).

Growthpoint's remuneration practices substantially comply with best practice governance guidelines, as per ASX corporate governance principles and recommendations, as outlined in the 2019 Corporate Governance Statement.

Who this report covers.

This report covers Key Management Personnel (KMP), comprising Executive Key Management Personnel (Executive KMP) and Non-executive Directors.

Executive KMP

- Timothy Collyer - Managing Director
- Dion Andrews - Chief Financial Officer
- Michael Green - Chief Investment Officer

In the prior period, Aaron Hockly was disclosed as a KMP in the position of Chief Operating Officer. In April 2018 he went on parental leave and was expected to return in April 2019. However, he did not return and instead signed a termination deed with the Group. As he did not participate in the planning, directing and controlling of the activities of Growthpoint at any stage during FY19, he was not a KMP for any portion of FY19. Yien Hong has been performing the role of Company Secretary and General Counsel ever since Mr Hockly first went on leave on a contract basis. As announced to the market on 23 May 2019, Jacquee Jovanovski will be joining Growthpoint in early FY20 as Chief Operating Officer and will be added as a KMP for that financial year.

Non-Executive Directors

- Geoffrey Tomlinson - Independent Chairman and Director
- Maxine Brenner - Independent Director
- Estienne de Klerk - Director
- Grant Jackson - Independent Director
- Francois Marais - Director
- Norbert Sasse - Director
- Josephine Sukkar - Independent Director

FY19 Executive KMP remuneration policy and framework.

Components of remuneration

Total Fixed Remuneration (TFR)
(including applicable superannuation and other benefits)

Set at a level to attract and retain suitably qualified and experienced persons in each respective role and tailored to encourage overall performance of the Group which is in the best interests of all Securityholders.

Short-term incentives (STI)

If specified performance criteria are met, eligibility of each KMP to receive a STI bonus payable as two thirds cash and one third as deferred short-term performance rights (Short-term Performance Rights) in respect of each financial year as determined by the Committee up to a maximum amount set by the Board.

Current Year (FY19) 37
Next Year (FY20) 46

Long term incentives (LTI)

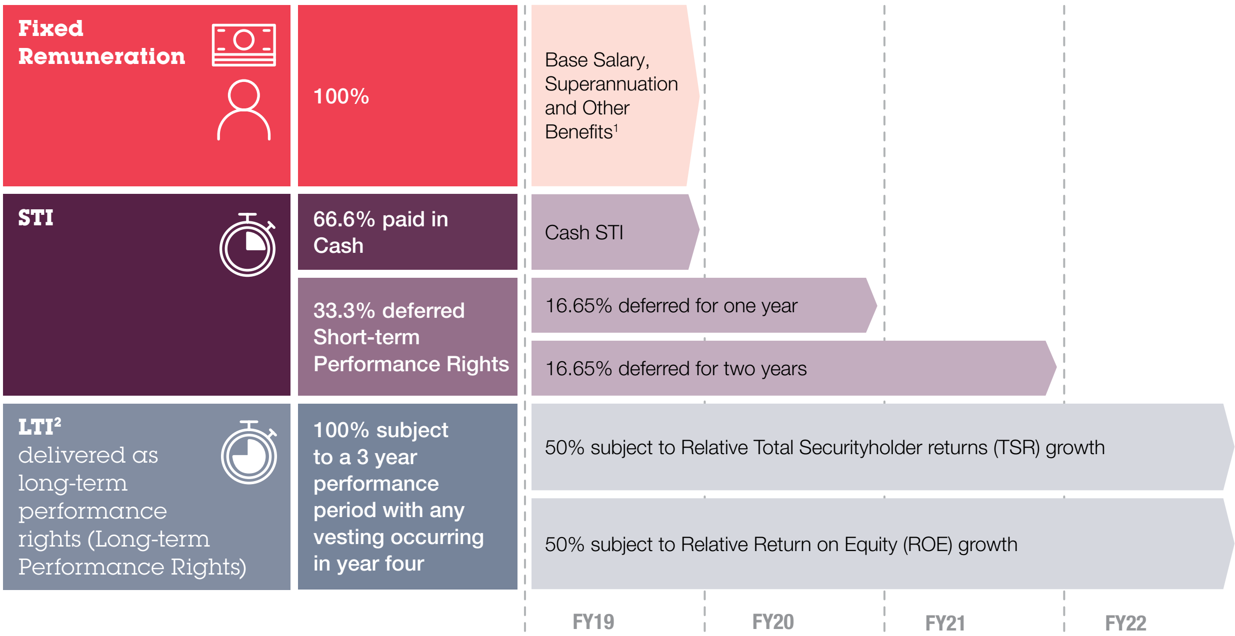
LTI bonus payable under which, upon meeting specified performance criteria, each Executive KMP is eligible to receive securities in the Group that vest over time to help ensure alignment of each Executive KMP's interests with those of Securityholders.

Current Year (FY19) 39
Next Year (FY20) 47

FY19 Executive KMP remuneration policy and framework continued

Executive KMP Remuneration delivery FY19

Executive KMP remuneration is structured to link rewards to individual performance and the execution of the Group's strategy to sustainably grow distributions and longer term capital growth. This leads to the creation of Securityholder value.

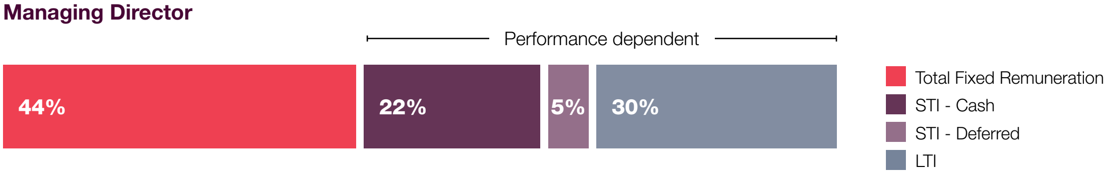


1. Other Benefits comprise wellbeing and insurance arrangements provided to all Executive KMP.
2. Transitional plan in place. See page 39 for further detail.

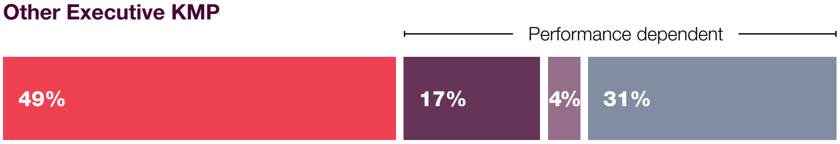
Executive KMP Remuneration mix FY19

The remuneration components for each Executive KMP are expressed as at percentage of total remuneration, with the STI and LTI value varied to reflect performance. The following diagram sets out the structure for remuneration paid to Executive KMP for FY19.

Managing Director



Other Executive KMP



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See page 45 for detailed information on Executive KMP remuneration

FY19 Executive KMP remuneration policy and framework continued

Principles of remuneration for Executive KMP

1. Executive KMP should receive total remuneration which is competitive with rates for similar roles within the ASX A-REIT sector and ASX listed companies of similar size (measured by market capitalisation), complexity, workload and the relative profit and expenses versus the Group.
2. The total remuneration for Executive KMP should be set at a level to attract and retain suitably qualified and experienced persons in each respective role and tailored to encourage overall performance of the Group which is in the best interests of all Securityholders.
3. Executive KMP are not eligible for any additional fees for additional roles within the Group such as acting as an officer of the Company or being a responsible manager under the Company's AFSL.
4. From 1 July 2018, the Committee implemented a Minimum Securityholding Requirement (MSR) for KMP (refer to page 49 for details of KMP's current holdings and details of the MSR).
5. Executive KMP are entitled to receive certain payments including the vesting of all unvested securities under the LTI if the Company decides to terminate a position without cause including through redundancy.

Total Executive KMP remuneration FY19 and FY18

	Short-term			Post employment			Share based payments			
Period	Base salary	STI cash award	Non-monetary benefits	Super-annuation benefits	Other long term	Termination benefits	Deferred STI Plan accrual	LTI Plan accrual	Total	S300A (1) (e) (i) proportion of remuneration performance related
	$	$	$	$	$	$		$	$	%
Timothy Collyer - Managing Director										
FY19	**932,543**	**474,583**	**-**	**25,000**	**–**	**–**	**98,857**	**644,144**	**2,175,127**	**51%**
FY18	909,189	1,035,909	1,431	25,000	–	–	–	464,706	2,436,235	62%
Dion Andrews - Chief Financial Officer										
FY19	**380,993**	**140,854**	**–**	**25,000**	**–**	**–**	**29,340**	**256,853**	**833,040**	**48%**
FY18	347,930	289,476	–	25,000	–	–	-	148,590	810,996	54%
Michael Green - Chief Investment Officer										
FY19	**380,993**	**140,854**	**–**	**25,000**	**–**	**–**	**29,340**	**257,854**	**834,041**	**48%**
FY18	353,334	293,671	–	25,000	–	–	–	150,232	822,237	54%
Total										
FY19	**1,694,529**	**756,292**	**–**	**75,000**	**–**	**–**	**157,537**	**1,158,851**	**3,842,208**	**50%**
FY18	1,610,453	1,619,056	1,431	75,000	–	–	–	763,528	4,069,468	59%

FY19 short-term incentives (STI).

Performance criteria for Executive KMP STI for current year (FY19)

The STI provides Executive KMP with the opportunity to receive cash and equity based on a one-year performance period following an assessment against specified financial and non-financial performance conditions. Performance criteria for FY19 are set out below.

	Weighting	Strategic objectives	Result (%)	Result	Performance detail
70% **Financial**	70%	**FFO per Security** – Budget 24.7 cps = 50% – Stretch 26.0 cps = 125%	73%		**Funds From Operations** **25.1**cps +0.4% on FY18
30% **Non-Financial**	7.5%	**Execution of Business Strategy** – Delivery of development pipeline of Botanicca, Gepps Cross and Broadmeadows – Undertake strategic acquisition and disposition of property assets to maximise income and capital growth opportunities – Maintain the quality of property portfolio whilst operating within the framework of the Group's gearing range, cost of capital and yields available in the property market	81%		**Strategic acquisitions** $**341**m +$295m on FY18 **Development pipeline** $**353**m +$150m on FY18 **Strategic divestments** $**45**m FY18: $91m Successfully raised $285m in equity and $161m in long term debt
	7.5%	**Organisational Performance** – Maintain a high employee alignment and engagement score – Delivery of IT, compliance and risk management business excellence projects – Retain talented individuals in roles and provide for advancement within the Group	73%		**Employee alignment** **53**% (FY18: 63%) **Employee engagement** **75**% (FY18: 81%) Slightly lower employee alignment and engagement scores and higher turnover offset by strong tenant engagement scores and robust delivery of business excellence projects
	7.5%	**Environmental, Social and Governance (ESG) Improvement and Initiatives** – Promote and achieve diversity targets – Maintain average high NABERS ratings, undertake budgeted property specific energy reduction projects and develop long-term energy reduction strategy – Maintain investment grade credit rating	86%		**Average NABERS energy rating** **4.8**☆ 4.6 stars FY18 **Investment grade rating** **Baa2** since August 2014 **Female employees** **54**% FY18: 50%
	7.5%	**Individual Performance of Executive** – Execution of key strategies to achieve annual budget/guidance and longer-term earnings growth – Role model values, leadership behaviours, collaboration and inclusiveness – Embedding strong governance, risk and compliance culture	85%		Key performance outcomes included: execution of strategy regarding acquisitions, divestments, development along with debt and equity capital management positive reviews of culture, values, governance and risk mitigation
Totals	100%		75%		

See page 45 for detailed information on Executive KMP remuneration 45

FY19 short-term incentives
continued

STI Plan overview for Executive KMP

In advance of each financial year the Committee, in consultation with the Managing Director, and with assistance from remuneration consultants, establish performance targets and reward levels for STIs in respect of the year ahead.

A performance review is undertaken near the end of each financial year to determine if any STI should be payable to an Executive KMP, respectively, including the Managing Director, based on performance targets set at the start of the financial year. Any award of STI to the Managing Director requires Board approval. STI payments are made in August following the financial year in which they were earned.

Changes for FY19

From FY19 onwards, the Executive KMP STI will change, from 100% payment in cash to 66.6% payment in cash, with the remainder deferred and awarded as Short-term Performance Rights to receive Growthpoint securities. Half of these Short-term Performance Rights will vest after one year and half after two years following the date of issue. If the Executive KMP resigns before a vesting period ends, the relevant Short-term Performance Rights do not vest and are forfeited. The Short-term Performance Rights will receive distributions paid by the Group equivalent to the distribution that would have been received if holding a security. Such payment is to be made in cash on the same date such distribution is payable.

This change has been made to further align Executive KMP and Securityholder interests.

STI Criteria

The STI is divided into two criteria, namely;

a) Financial criteria – 70% of total

The financial criteria is based upon achieving budgeted FFO per security (24.7cps for FY19 providing a 50% score) with the opportunity for outperformance, up to 125% achievement, of criteria via a “stretch target” for FFO per security in excess of budget (up to 26.0 cps which is 5.3% above the budgeted figure). If FFO per security is below budget, the Board has discretion whether to grant achievement under the financial criteria. For FY19 the achievement was 73% for the financial criteria due to achievement of 25.1 cps.

b) Non-financial criteria – 30% of total

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The non-financial criteria are based upon the performance criteria in the table on page 37. The criteria are reviewed and approved by the Committee before the start of the financial year and then reviewed on a half yearly basis, with an overall assessment approved by the Committee following the end of the financial year. The half year review involves the Chairman of the Group and the Managing Director jointly analysing actual performance against the criteria and preparation of a report to the Committee.

Results of FY19 STI

The table below shows the maximum in cash and Short-term Performance Rights that each Executive KMP could earn for FY19 and the actual results based on overall achievement for the year:

	Maximum for FY19				Result for FY19			
Names	**Total**	**Cash**	**Short-term Performance Rights**		**Total**	**Cash**	**Short-term Performance Rights**	
	$	*$*	*$*	*No.*	*$*	*$*	*$*	*No.*
Timothy Collyer (Managing Director)	**1,108,507**	738,931	369,576	100,977	**711,839**	474,583	237,256	64,824
Dion Andrews (Chief Financial Officer)	**329,000**	219,311	109,689	29,970	**211,271**	140,854	70,417	19,239
Michael Green (Chief Investment Officer)	**329,000**	219,311	109,689	29,970	**211,271**	140,854	70,417	19,239
Total	**1,766,507**	**1,177,553**	**588,953**	**160,917**	**1,134,381**	**756,292**	**378,089**	**103,303**

Note that the maximums in the table above are based on the financial component, representing 70% of the total STI, containing a stretch target that means up to 125% of this portion of the STI is able to be earned.

The number of Short-term Performance Rights is derived by dividing the maximum dollar value by the Volume Weighted Average Price of Growthpoint securities over the first 10 trading days of FY19, being $3.66. The actual number of Short-term Performance Rights earned by Executive KMP will be split into two equal tranches with the first tranche converting to stapled securities on 30 June 2020 and the second tranche converting on 30 June 2021, as long as the individual is still employed and has not submitted their resignation prior to conversion date.

FY19 long-term incentives (LTI).

The Group has had an Employee Securities Plan ("the Plan") in place for all Employees and the Managing Director since 2011. The Plan is designed to link Employees' remuneration with the long-term goals and performance of the Group with the aim of consistently increasing total Securityholder return.

All securities or Long-term Performance Rights issued under the LTI are issued on a zero-cost basis. In other words, the Executive KMP are issued securities or Long-term Performance Rights as part of their remuneration without having to pay any amounts for them.

LTI performance measures

The performance measures for the LTI are reviewed in advance of each financial year by the Committee and/or the Board.

Changes for FY19

Following the PwC review of the Group's remuneration structures the Committee decided to move the current LTI structure from a "backward looking" measurement period to a "forward looking" structure. For FY19, instead of measuring the 3-year period from 1 July 2016 to 30 June 2019 and determining relative TSR and ROE for that period, the assessment period will instead be from 1 July 2018 to 30 June 2021. The same relative TSR and ROE measures will be used with the same hurdle rates. Once the assessment of performance is complete, a performance percentage is determined which will be applied to the maximum potential Long-term Performance Rights with the resulting Performance Rights vesting at that time (i.e. in three years time).

There will be a transition period between when the current plans cease and the new plans become fully effective (no vesting under the new plan can occur until after the measurement of the first three-year performance period ending 30 June 2021 is complete). The Group will continue to operate "backward looking" LTI plans in the transition period with steadily reducing opportunities under each plan until they are phased out completely with the first vesting under the new structure. The Committee asked PwC to review these transitional arrangements and they found that there is no advantage/disadvantage of the transitioned arrangements to either the Group or the Executive KMP.

The reason for this change is simply to bring the structure of the LTI measurement into line with general market practice.

Types of LTI plans now in operation

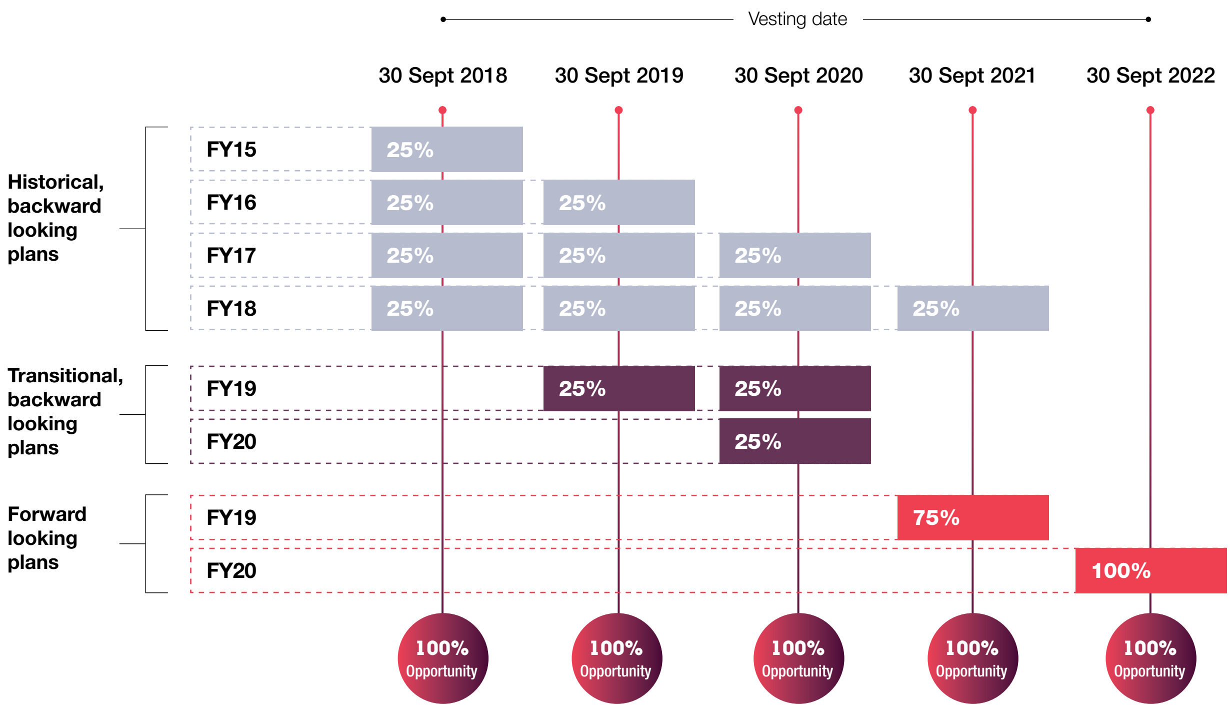
There are currently three types of LTI plans in operation for Executive KMP:

- **Historical backward-looking plans from FY16, FY17, FY18.**
  The performance measures of these plans have been tested and any rights have vested. As these plans convert from rights to issue of stapled securities over time, there are still tranches to be converted into stapled securities in future periods.
- **FY19 transitional plan**.
  This plan is also backward looking, with the performance measurement period being the three years to 30 June 2019. However, only 50% of the maximum opportunity under this plan can convert to the issuing of stapled securities. This is because the transitional plans are designed to run down until the first forward looking plan comes into effect. The results of this plan will be determined around 30 September 2019 and any stapled securities to be converted will be issued in two equal tranches, one in FY20 and one in FY21.
- **FY19 forward looking plan**.
  The performance measurement period for this plan is the three years to 30 June 2021. For this plan, only 75% of the maximum opportunity can convert to the issuing of stapled securities. This is to dovetail with the final 25% tranche of the FY18 plan that may have converted to securities in the same year.

The table on the next page shows the different plans in operation and when rights under each plan could convert.

FY19 Long-term incentives
continued

Types of LTI plans now in operation



Performance measures for the LTIs for FY16, FY17, FY18, transitional FY19 and forward looking FY19

50%

Total Securityholder return (TSR)

TSR reflects the amount of dividends or distributions paid/ payable by the Group plus the change in the trading price of the Group's securities over the financial year.

TSR is calculated as a percentage return on the opening trading price of the Group's securities on the first day of the financial year.

TSR is benchmarked relative to the S&P/ASX A-REIT 300 Accumulation Index[1] over a rolling 3-year period[2]. At or below 50% performance, nil rights vest, 50% of rights vest at the 51st percentile, up to 100% at the 75th percentile (pro rata vesting in between).

50%

Return on Equity (ROE)

ROE reflects the amount of dividends or distributions paid/ payable by the Group plus the change in the Group's net tangible assets per security over the financial year.

ROE is calculated as a percentage return on the Group's net tangible assets per security as at the first day of the financial year.

ROE is benchmarked relative to the ROEs of constituents of the S&P/ASX A-REIT 300 Index[1] over a rolling 3-year period[2] using the following methodology:

- Below the benchmark return - 0%.
- At the benchmark - 50%.
- 0.1% - 1.9% above the benchmark – 51.25% - 75% in increments of 1.125% for each 0.1% above the benchmark
- 2% or more above the benchmark - 100%.

1. The benchmark only includes those constituents of the ASX REIT 300 that have a comparable trading history. For example, if they have listed, merged or demerged within three years they are excluded.
2. For the backward looking plans, this is 3 years up to 30 June in the current FY. For forward looking plans, this is 30 June in three yeas from 1 July of the current FY. For example, the FY18 Plan will be measured at 30 June 2021.

FY19 Long-term incentives
continued

Changes for FY19

From FY20 onwards, the comparator group for LTI will be the ASX A-REIT 200, replacing the ASX A-REIT 300. Due to the Group's market capitalisation, this is judged to be a more relevant comparator group.

LTI Maximum

In advance of each financial year, the Board and/or the Committee will establish an LTI pool in respect of the upcoming financial year and determine the maximum incentive which can be achieved by each Executive KMP ("**LTI Maximum**"). Under the terms of his employment contract, the Managing Director's LTI Maximum is 80% of total fixed remuneration ("**TFR**"). The LTI Maximum for other Executive KMP is 70% of TFR.

LTI Minimum

There is no minimum grant under the LTI. Accordingly, if minimum performance measures are not achieved, no grant will be made under the LTI.

LTI Achievement

The LTI results are independently calculated with results provided directly to the Committee.

In early October of each year, the Committee assesses the achievement of the performance measures listed above to determine a percentage achieved for the previous financial year ("**LTI Achievement**").

LTI Awards for backwards looking plans (transitional plans)

The LTI Maximum multiplied by the LTI Achievement provides the "**LTI Award**" for each Executive KMP for the relevant financial year.

The LTI Award is translated into an equivalent value of the Group's securities through dividing the LTI Award by the volume weighted average price of the securities over the 20 trading days prior to 30 September following the financial year to which the LTI relates. This gives a total number of securities to be issued to each Executive KMP for each subsequent vesting.

25% of the securities to be issued to each Executive KMP based on the LTI Award are issued to each Executive KMP in October or November of each of the following four years. Each such vesting is subject to the Executive KMP remaining employed by Growthpoint at the relevant date subject to certain contractual exceptions such as a redundancy and in the discretion of the Board (e.g. in the case of a "good leaver").

As each grant is on the basis of a fixed number of securities rather than a fixed value, Executive KMP are exposed to variations in the Group's security price for securities which are yet to vest (as well as for any securities they already hold).

The LTI is cumulative meaning that Executive KMP can receive up to four issues of securities in a particular year in respect of four prior financial years. Subject to some exceptions, securities immediately vest in the case of a takeover of the Group or an Executive KMP being made redundant.

The opportunity under transitional plans steadily reduces until the first Long-term Performance Rights under the new forward looking plans vest.

LTI Awards for forward looking plans

LTI Awards for forward looking plans are similar to the backward looking plans except:

- The number of Long-term Performance Rights granted is based on the volume weighted average price of securities over the first 10 trading days of the relevant performance period.
- Once the LTI Achievement is determined following the end of the performance period, this percentage is multiplied by the Long-term Performance Rights to determine how many Long-term Performance Rights will actually vest and convert to issued securities.

ASX Listing Rules

In accordance with ASX Listing Rule 10.14, the issue of any stapled securities or performance rights to the Managing Director is subject to Securityholder approval. It is intended that such approval be obtained at the Group's annual general meeting each year and, if approved, stapled securities or performance rights will be issued shortly after the relevant meeting.

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FY19 Long-term incentives
continued

FY18 Achievement

LTI Achievement – TSR

For the three years to 30 June 2018, the Group's TSR was calculated as 35.8%, ranking at the 50th percentile meaning 0% vesting under this measure.

LTI Achievement – ROE

For the three years to 30 June 2018, the Group's ROE was calculated as 54.5%, below the benchmark of 54.9%, meaning 0% vesting under this measure.

Performance rights to vest from historical backward looking plans (FY16 - FY18)

The number of performance rights to convert from historical plans has already been determined. The table below indicates the number of performance rights still to convert and the financial year in which the conversion will take place:

Plan participants	Plan identification	No. of securities to vest in FY20	No. of securities to vest in FY21	Total securities still to issue
Timothy Collyer (Managing Director)	FY16	26,235	–	26,235
	FY17	55,104	55,104	110,208
	FY18	–	–	–
	Total	81,339	55,104	136,443
Dion Andrews (Chief Financial Officer)	FY16	7,408	–	7,408
	FY17	18,796	18,796	37,592
	FY18	–	–	–
	Total	26,204	18,796	45,000
Michael Green (Chief Investment Officer)	FY16	7,408	–	7,408
	FY17	19,069	19,069	38,138
	FY18	–	–	–
	Total	26,477	19,069	45,546
Total to issue		**134,020**	**92,969**	**226,989**

FY19 Transitional Plan (backward looking)

The table below shows LTI grants made during FY19 with respect to the transitional plan, subject to performance conditions over the three-year performance period ending 30 June 2019. Accounting standards require the estimated valuation of the grants be recognised over the performance period. The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant and amortised in accordance with the accounting standard requirements.

		LTI max as a % of remuneration[1]	Performance measure	Number of performance rights granted	Fair value per performance right	Total estimated fair value
		%		*No.*	*$*	*$*
Timothy Collyer (Managing Director)			TSR	52,379	1.937	101,458
			ROE	52,379	3.414	178,822
	Total	**40**		**104,758**		**280,280**
Dion Andrews (Chief Financial Officer)			TSR	18,640	2.906	54,168
			ROE	18,640	3.723	69,397
	Total	**35**		**37,280**		**123,565**
Michael Green (Chief Investment Officer)			TSR	18,640	2.906	54,168
			ROE	18,640	3.723	69,397
	Total	**35**		**37,280**		**123,565**

1. This includes the restriction to 50% opportunity for this plan. For example, Timothy Collyer's max is calculated as 80% * 50% = 40%.

FY19 Long-term incentives
continued

Key inputs used in valuing Long-term Performance Rights were as follows:

Key inputs:	Timothy Collyer	Other Executive KMP
Grant date	21 November 2018	20 September 2018
TSR performance start date	1 July 2016	1 July 2016
TSR expiry date	30 June 2019	30 June 2019
Share price at issue date ($)	3.54	3.90
Exercise price	0.00	0.00
Expected life (years)	0.61	0.78
Volatility	14%	13%
Risk free interest rate	1.50%	1.52%
Distribution yield	6%	6%

The fair value is determined by Grant Thornton using a Monte-Carlo simulation for the relative TSR component and a Binomial methodology for the relative ROE component.

FY19 Forward Looking Plan

The table below shows LTI grants made during FY19 with respect to the Forward Looking Plans, subject to performance conditions over the three-year performance period ending 30 June 2021. Accounting standards require the estimated valuation of the grants be recognised over the performance period. The minimum value of the grant is nil if the vesting conditions are not met. The maximum value is based on the estimated fair value calculated at the time of the grant and amortised in accordance with the accounting standard requirements.

		LTI max as a % of remuneration[1]	Performance measure	Number of performance rights granted	Fair value per performance right	Total estimated fair value
		%		No.	$	$
Timothy Collyer (Managing Director)			TSR	77,329	1.427	110,348
			ROE	77,329	3.027	234,075
	Total	**60**		**154,658**		**344,423**
Dion Andrews (Chief Financial Officer)			TSR	28,689	2.014	57,780
			ROE	28,689	3.301	94,702
	Total	**53**		**57,378**		**152,482**
Michael Green (Chief Investment Officer)			TSR	28,689	2.014	57,780
			ROE	28,689	3.301	94,702
	Total	**53**		**57,378**		**152,482**

1. This includes the restriction to 75% opportunity for this plan. For example, Timothy Collyer's max is calculated as 80% * 75% = 60%.

FY19 Long-term incentives
continued

Key inputs used in valuing Long-term Performance Rights were as follows:

Key inputs:	Timothy Collyer	Other Executive KMP
Grant date	21 November 2018	20 September 2018
TSR performance start date	1 July 2018	1 July 2018
TSR expiry date	30 June 2021	30 June 2021
Share price at issue date ($)	3.54	3.90
Exercise price	0.00	0.00
Expected life (years)	2.61	2.78
Volatility	15%	16%
Risk free interest rate	2.09%	2.14%
Distribution yield	6%	6%

The fair value is determined by Grant Thornton using a Monte-Carlo simulation for the relative TSR component and a Binomial methodology for the relative ROE component.

Hedging of issues by Executive KMP

Under the Group's "Securities Trading Policy" persons eligible to be granted securities as part of their remuneration are prohibited from entering a transaction if the transaction effectively operates to hedge or limit the economic risk of securities allocated under the incentive plan during the period those securities remain unvested or subject to restrictions under the terms of the plan.

Executive KMP remuneration in detail.

Details of Performance Rights that vested to Executive KMP in FY19

Plan participants	Plan identification	Issue date	Value of securities issued on conversion of performance rights	Number of securities issued on conversion of performance rights	Value of performance rights still to vest	Percentage of plan that vested during FY19
			$	No.	$	%
Timothy Collyer (Managing Director)	FY17 Plan		211,506	55,104	N/A	25%
	FY16 Plan		100,698	26,235	N/A	25%
	FY15 Plan		156,357	40,736	N/A	25%
Dion Andrews (Chief Financial Officer)	FY17 Plan		72,145	18,796	N/A	25%
	FY16 Plan		28,434	7,408	N/A	25%
	FY15 Plan		33,839	8,816	N/A	25%
Michael Green (Chief Investment Officer)	FY17 Plan		73,193	19,069	N/A	25%
	FY16 Plan		28,434	7,408	N/A	25%
	FY15 Plan		33,839	8,816	N/A	25%
Total			**738,444**	**192,388**		

Number of performance rights held by Executive KMP at 30 June 2019

Names	Balance at 1 July 2018	STI Rights granted	STI Rights vested/ forfeited	Balance at 30 June 2019
Timothy Collyer (Managing Director)	–	100,977	–	100,977
Dion Andrews (Chief Financial Officer)	–	29,970	–	29,970
Michael Green (Chief Investment Officer)	–	29,970	–	29,970

Names	Balance at 1 July 2018	LTI Rights granted	LTI Rights vested	Balance at 30 June 2019
Timothy Collyer (Managing Director)	258,518	259,416	(122,075)	395,859
Dion Andrews (Chief Financial Officer)	80,020	94,658	(35,020)	139,658
Michael Green (Chief Investment Officer)	80,839	94,658	(35,293)	140,204

FY20 Executive KMP remuneration.

Proposed performance criteria for STI for next year (FY20) (unaudited)

	Strategic objectives	Weighting	Reason chosen
70% Financial	**FFO per Security** – Budget = 50% – Stretch = 125%	70%	Increasing FFO per security may allow distributions to be increased each year, the key strategic objective of the business.
30% Non-Financial	**Execution of Business Strategy** – Delivery of development pipeline of Botanicca, Gepps Cross and Broadmeadows – Lease up of Botanicca by end of FY20 – Undertake strategic acquisition and disposition of assets to maximise longer term income and capital growth opportunities – Maintain the quality of property portfolio – Financing growth of portfolio and maintaining appropriate capital structure – Strategic review of new property sector or operating business to diversify sources of revenue and grow asset base	12.0%	Development and delivery of key strategic initiatives will deliver long term and sustainable growth.
	Organisational Performance – Maintain a high employee engagement and alignment score – Retain talented individuals in key roles and provide for advancement within the Group – Maintain high tenant satisfaction – Maintain high levels of Securityholder engagement and confidence	6.0%	Creating a talented and engaged team and providing them with the right functionality to support Growthpoint will underpin ongoing high performance.
	Environmental, Social and Governance (ESG) Improvement and Initiatives – Promote and achieve diversity targets – Maintain average high NABERS ratings, undertake budgeted property specific energy reduction projects and develop long-term energy reduction strategy – Maintain investment grade credit rating	7.5%	Environmental, Social and Governance goals form foundation for Growthpoint's guiding principles.
	Individual Performance of Executive – Execution of key strategies to achieve annual budget/ guidance and longer-term earnings growth – Role model values, leadership behaviours, collaboration and inclusion – Embedding strong governance, risk and compliance culture	4.5%	Having a focussed Executive Team with clear targets, displaying strong leadership and governance is important to the Group's success.

FY20 Executive KMP remuneration
continued

Executive KMP FY20 remuneration (unaudited)

To assist readers of this Report to understand how Executive KMP are remunerated for the year ahead and to understand the performance the board and the Committee are trying to encourage through remuneration, FY20 remuneration has been provided below.

This information is in addition to that required by the *Corporations Act 2001* (Cth) and, as a result, has not been audited. Remuneration listed below is subject to a range of factors including persons remaining employed by the Company in their current role for all of FY20.

	Total fixed remuneration including superannuation ("TFR")	Short-term Incentive (maximum)	Long-term Incentive (maximum)
Timothy Collyer[1] - Managing Director	$1,000,000 (6.0% increase from FY19)	117.5% of TFR	80% of TFR
Dion Andrews[2] - Chief Financial Officer	$500,000 (25.0% increase from FY19)	82.3% of TFR	70% of TFR
Michael Green[2] - Chief Investment Officer	$500,000 (25.0% increase from FY19)	82.3% of TFR	70% of TFR
Jacquee Jovanovski[2] - Chief Operating Officer	$350,000 (pro-rated from start date)	82.3% of TFR	70% of TFR

1. Other benefits include: Gym membership; payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover. Termination notice (without cause) of six months. Termination payments (without cause for redundancy or similar by the Company) – Nine months' notice and Redundancy Policy benefits. Unvested LTI grants remain on foot. Restraint of trade period is 12 months.
2. Other benefits include payment of up to 1.5% of TFR in lieu of premium for Life, TPD and Income Protection Cover. Termination notice (without cause) of six months. Termination payments (without cause for redundancy or similar by the Company) – Redundancy Policy benefits plus vesting of any granted but unvested options under LTI. Restraint of trade period is 6 months.

Non-executive KMP arrangements.

There are currently seven Non-Executive KMP. An aggregate pool of $1,200,000 available for the remuneration of Non-Executive KMP was approved by Securityholders at the Company's Annual General Meeting in November 2017.

Remuneration paid and payable

The total remuneration paid to Non-Executive Directors for FY19 is listed below and the proposed FY20 remuneration is on page 47.

Principles of remuneration for Non-Executive KMP

The principles of non-executive director remuneration are:

1. Non-Executive Directors should receive total remuneration at market rates for equivalent positions at listed Australian entities of similar size (measured by market capitalisation), complexity and Non-Executive Director workload having regard to the industry in which the Group operates.
2. Fees are set at a level to attract and retain suitably qualified and experienced persons to the Board.
3. The Chairman is entitled to a base annual fee and is not eligible for any additional fees for chairing or being a member of any Board committees.
4. All Non-Executive Directors other than the Chair are entitled to a base annual fee plus additional fees for being a Chairman or a member of a committee.
5. All Non-Executive Directors' fees are paid on a base fee basis rather than per meeting.
6. All Non-Executive Directors' fees are to be paid in cash and include superannuation where applicable. Where Australian GST is applicable, this is paid in addition to the relevant director's fees.
7. From 1 July 2018, the Committee implemented a Minimum Securityholding Requirement (MSR) for Non-Executive KMP (refer to page 49 for details of current holdings and details of the MSR).
8. Non-Executive Directors are not entitled to any termination or similar payments upon retirement or other departure from office.
9. In addition to remuneration, Non-Executive Directors may claim expenses such as travel and accommodation costs reasonably incurred in fulfilling their duties.
10. With the prior approval of the Chairman, Non-Executive Directors may obtain independent advice at the Company's cost.

FY19 Non-Executive KMP Remuneration

		Short-term		Post employment	
	Period	Fees	Committee Fees	Superannuation benefits	Total
		$	$	$	$
Geoff Tomlinson, Chair (appointed 1 September 2013)	**FY19**	**186,184**	**–**	**17,688**	**203,872**
	FY18	179,027	–	17,008	196,035
Grant Jackson (appointed 5 August 2009)	**FY19**	**95,283**	**12,003**	**10,192**	**117,478**
	FY18	91,618	10,911	9,740	112,270
Francois Marais (appointed 5 August 2009)	**FY19**	**104,335**	**11,670**	**–**	**116,005**
	FY18	100,322	10,609	–	110,931
Norbert Sasse (appointed 5 August 2009)	**FY19**	**104,335**	**18,354**	**–**	**122,689**
	FY18	100,322	15,960	–	116,282
Estienne de Klerk (appointed 5 August 2009)	**FY19**	**104,335**	**13,143**	**–**	**117,478**
	FY18	100,322	11,948	–	112,270
Maxine Brenner (appointed 19 March 2012)	**FY19**	**95,283**	**20,177**	**10,969**	**126,429**
	FY18	91,618	18,342	10,446	120,407
Josephine Sukkar (appointed 1 October 2017)	**FY19**	**95,283**	**10,658**	**10,064**	**116,005**
	FY18	68,714	7,266	7,218	83,198
Total	**FY19**	**785,039**	**86,004**	**48,913**	**919,956**
	FY18	731,944	75,037	44,412	851,393

Non-executive KMP arrangements
continued

Non-Executive KMP FY20 remuneration (unaudited)

To assist readers of this Report to understand how Non-executive KMP are remunerated for the year ahead and to understand the performance the board and the Committee are trying to encourage through remuneration, FY20 remuneration has been provided below.

This information is in addition to that required by the *Corporations Act 2001* (Cth) and, as a result, has not been audited. Remuneration listed below is subject to a range of factors including persons remaining employed by the Company in their current role for all of FY20.

Non-Executive KMP remuneration FY20 (unaudited)

	Chair fee[1]	Member fee
Board	$213,100 (4.5% increase from FY19)	$109,000 (4.5% increase from FY19)
Audit, Risk & Compliance Committee	$22,900 (3.7% increase from FY19)	$13,600 (3.5% increase from FY19)
Nomination, Remuneration & HR Committee	$19,400 (5.7% increase from FY19)	$12,300 (5.4% increase from FY19)

1. The Chairman of the Board does not receive Committee fees.

Executive and non-executive KMP shareholdings.

Key change

From 1 July 2018, the Committee implemented a Minimum Securityholding Requirement (MSR) for Executive KMP and Non-Executive KMP who must comply with the MSR by 30 June 2022 or four years from their employment or Directorship commencement, whichever is later. The MSR is as follows:

- Non-Executive Directors – 100% of base Directors fees in equivalent value of Growthpoint securities;
- Managing Director – 100% of TFR in equivalent value of Growthpoint securities; and
- Other Executive KMP – 50% of TFR in equivalent value of Growthpoint securities.

The table below provides holdings as at the date of this report and indicates the current percentage holdings.

Executive and Non-Executive KMP holdings of Growthpoint securities

Name	Position	Holding as at 30 June 2019	MSR	Current equivalent value in Growthpoint securities[1]
		No.	*%*	*%*
Geoff Tomlinson	Chairman	88,776	100%	172%
Grant Jackson	Non-Executive Director	190,087	100%	718%
Francois Marais	Non-Executive Director	169,284	100%	640%
Norbert Sasse	Non-Executive Director	1,656,460	100%	6261%
Estienne de Klerk	Non-Executive Director	1,752,857	100%	6626%
Maxine Brenner	Non-Executive Director	7,245	100%	27%
Josephine Sukkar	Non-Executive Director	14,000	100%	53%
Timothy Collyer	Managing Director	886,507	100%	365%
Dion Andrews	Chief Financial Officer	127,682	50%	210%
Michael Green	Chief Investment Officer	4,561	50%	8%

1. Current equivalent value takes the closing price of Growthpoint securities on 30 June 2019 ($4.12), multiplied by the holding and compares this to the relevant FY19 measure (100% of base fees for Non-Executive Directors, for example). This is provided for information only at this time as compliance with the MSR is not required until 30 June 2022 at the earliest.

Remuneration policy and role of the Nomination, Remuneration and HR Committee.

The Committee advises the Board on compensation policies and practices generally, and makes specific recommendations on compensation packages and other terms of engagement for non-executive directors, executive directors and other senior executives. The Committee also periodically reviews the compensation arrangements for other Employees.

How Governance and remuneration decisions are made

Board of Directors: oversees remuneration

Nomination, Remuneration and HR committee

Advises on policy and practices and makes recommendation to the board.

Objectives:

- Provide competitive rewards to attract, motivate and retain highly skilled directors and management.
- Set challenging but achievable objectives for short and long-term incentive plans.
- Link rewards to the creation of value for Securityholders.
- Limit severance payments on termination to pre-established contractual arrangements that do not commit the Group to making unjustified payments in the event of non-performance.

Recommendations made to the board using advice from:

Managing Director

External Advisors

Committee members

The members of the Committee during the year and at the date of this Report are:

- Norbert Sasse (Chairman) – non-executive director
- Francois Marais – non-executive director
- Geoff Tomlinson – independent, non-executive director
- Josephine Sukkar – independent, non-executive director

Delegated authority

The Committee operates under delegated authority from the Board. The duties of the Committee in relation to remuneration are to:

a) Recommend, for adoption by the Board, a remuneration package for the Chairman of the Board and the other Directors on a not less than annual basis.

b) Recommend, for adoption by the Board, a remuneration package, including bonus incentives and related key performance indicators, for the most senior executive officer of the Group both on appointment and on a not less than annual basis.

c) Review the most senior executive officer's recommendations for the remuneration packages, including bonus incentives and related key performance indicators, of other Group Employees both on appointment and on a not less than annual basis.

d) Review the most senior executive officer's recommendations for any bonus payments which are in excess of that delegated to the most senior executive officer under the Group's "Delegations of Authority Policy". The Committee cannot approve payments which exceed the bonus pool approved by the Board without Board approval.

e) Make recommendations to the Board in relation to the introduction of, and amendments to, any employee share plan established by the Group.

Remuneration policy and role of the Nomination, Remuneration and HR Committee continued

Impact of performance on Securityholders' wealth

In considering the Group's performance and benefits for Securityholders' wealth, the Committee has regard to the financial measures in the below in respect of the five financial years ended 30 June 2019.

		2019	2018	2017	2016	2015
Profit attributable to the owners of the Group	$'000	**375,292**	357,709	278,090	219,377	283,004
Dividends and distributions paid	$'000	**167,387**	148,432	140,077	118,134	110,685
Distribution per stapled security	$	**0.230**	0.222	0.215	0.205	0.197
Closing stapled security price	$	**4.12**	3.61	3.14	3.15	3.13
Change in stapled security price	$	**0.51**	0.470	-0.010	0.020	0.680
Total Securityholder return[1]	%	**21.0**	22.3	6.3	7.4	36.4
Return on equity	%	**16.9**	18.5	18.6	13.5	23.9

1. Source UBS Investment Research.

Independent consultants

During the year, the Committee engaged PwC as an independent consultant. PwC was paid a total of $44,000 for providing these services.

The Committee is satisfied on behalf of the Board that PwC remained free from undue influence from those Executive KMP in respect of whom it was making recommendations. The Committee received the report directly from PwC and reviewed and discussed the report with PwC when it was received. The Company did not engage PwC for any other work during FY19.

The Committee also had regard to additional third-party industry remuneration benchmarking surveys.

Remuneration reviews

The Committee reviews the appropriate levels of remuneration for all Directors and Employees based on:

1. Remuneration advice and benchmarking from PwC.
2. Remuneration surveys.
3. Benchmarking against peers.
4. Recommendations from the Managing Director (excluding in relation to his own remuneration).

Executive Director Remuneration and Service Contract

There is currently only one executive director being the Managing Director, Timothy Collyer.

Remuneration paid and payable

The total remuneration paid or payable to the Managing Director for FY19 is listed on page 45 of this report and the proposed remuneration parameters for FY20 are on page 47.

Service contract

The Managing Director has a contract of employment dated 22 August 2016 with the Group that specifies the duties and obligations to be fulfilled by the Managing Director and provides that the Board and the Managing Director will, early in each financial year, consult to agree objectives for achievement during that year. Changes to the Managing Directors' remuneration requires full Board approval and, in certain circumstances, Securityholder approval.

The Managing Director can resign by providing six months' written notice. The Group can terminate his employment immediately for serious misconduct, bankruptcy, material breach of his employment agreement, failure to comply with a reasonable and lawful direction by the Board, committing an act which brings the Group into disrepute or conviction of an offence punishable by imprisonment. In addition, the Group can terminate the Managing Director's employment without cause with not less than nine months' severance pay.

On termination as Managing Director, he must resign as a director of any Group entity and he is restrained from a number of activities in competition with or to the detriment of the Group for a period of 12 months from the date of termination.

Principles of remuneration for the Managing Director

The principles of remuneration for the Managing Director are included as part of the Executive KMP principles listed on page 36.

Remuneration policy and role of the Nomination, Remuneration and HR Committee continued

Other service contracts

It is the Group's policy that service contracts are unlimited in term but capable of termination on six months' notice or less and that the Group retains the right to terminate the contract immediately, by making payment equal to a payment in lieu of notice. Employees are also entitled to receive certain statutory entitlements on termination of employment including accrued annual and long service leave, together with any superannuation benefits and, if applicable, redundancy payments in accordance with a redundancy policy approved by the Committee. Service contracts outline the components of compensation paid to each Employee (including all key management persons) but does not prescribe how compensation levels may be modified each year.

Non-Executive and Executive KMP Reviews

Non-Executive KMP reviews

The performance of the Board and individual Directors is regularly considered by the Chairman who, from time to time, arranges Board meetings to specifically consider the function of the Board, the strategy of the Group and to hear any concerns/feedback from directors. The Chairman typically meets with each individual Director not less than once per year. A relevant Board meeting and individual meetings all occurred in FY19.

The Chair of each Board sub-committee also regularly considers the performance of the committee they chair.

Board composition

The Board currently comprises Directors with extensive experience and expertise in property, finance, law, investment banking, accounting and corporate governance. Refer to the Growthpoint website for full profiles of each Director:

growthpoint.com.au/about/board/

Being a property company, the Board has expressed a particular desire to ensure it comprises directors with extensive Australian commercial property knowledge. The Managing Director, Grant Jackson and Josephine Sukkar have had, and continue to have, extensive careers in Australian commercial property and have held, and continue to hold, senior positions in the property industry. The Board is eager to ensure that where Board members are replaced, the Board's property experience is not diminished.

Succession planning for directors

The Committee has developed plans for the succession and/or temporary replacement of the Chairman and the Managing Director.

Director training

To ensure the Board has sufficient knowledge to discharge its duties, the Company Secretary co-ordinates an annual training program which includes presentations (verbal and written) from the Group's lawyers, auditors and property managers as well as from investment banks, real estate service providers and leading governance and training organisations.

Executive KMP Reviews

The Managing Director's performance is formally considered annually by the Committee and, based on this formal assessment, the Committee makes remuneration recommendations to the Board. In making its assessment, the Committee considers, among other things, the STI performance measures listed on page 37.

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The Managing Director reviews the performance of the other Executive KMP and makes recommendations to the Committee on their remuneration based, in part, on the STI performance measures listed on page 37.

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Remuneration policy and role of the Nomination, Remuneration and HR Committee continued

Meetings of Directors (FY19)

Board member	Growthpoint Board		Audit, Risk & Compliance Committee		Nomination, Remuneration & HR Committee	
	eligible to attend	attended	eligible to attend	attended	eligible to attend	attended
G. Tomlinson (Chairman)	12	12	4	4	6	5
M. Brenner	12	11	4	4		
T. Collyer (Managing Director)[1,2]	12	12		4		6
E. de Klerk	12	11	4	4		
G. Jackson	12	12	4	4		
F. Marais	12	11			6	6
J. Sukkar	12	11			6	6
N. Sasse	12	11			6	6

1. As Managing Director, Timothy Collyer, has a standing invitation to all committee meetings, unless its members determine otherwise, but is not a member of the Audit, Risk & Compliance Committee.
2. As Managing Director, Timothy Collyer, has a standing invitation to all committee meetings, unless its members determine otherwise, but is not a member of the Nomination, Remuneration & HR Committee. Mr Collyer is not present for any part of meetings which consider his remuneration except to answer questions from the Committee.

Additional information.

Indemnification and Insurance of Directors, Officers and Auditor

The Company has entered into a Deed of Indemnity, Insurance and Access with each of its directors, Dion Andrews (Chief Financial Officer) and Michael Green (Chief Investment Officer) providing these persons with an indemnity, to the fullest extent permitted by law, against all losses and liabilities incurred in their respective role for the Company. The Deeds also require the Company to grant the indemnified person with access to certain Company documents and insure the indemnified persons.

In compliance with the Deeds referred to above, the Company insured its Directors and officers against liability to third parties and for costs incurred in defending any legal proceedings that may be brought against them in their capacity as Directors or officers of the Group. This excludes a liability which arises out of a wilful breach of duty or improper use of inside information. The premium also insures the entity for any indemnity payments it may make to its Officers in respect of costs and liabilities incurred. Disclosure of the premium payable is prohibited under the conditions of the policy.

The Auditor is indemnified by the Group against claims from third parties arising from the provision of audit services except where prohibited by the *Corporations Act 2001* (Cth) or due to negligence, fraudulent conduct, dishonesty or breach of trust by the auditor.

Non-Audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The Board has considered the non-audit services providing during the year by the auditor and are satisfied that the provision of those non-audit services during the year by the auditor is compatible with and did not compromise, the auditor independence requirements of the *Corporations Act 2001* (Cth) for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the Audit, Risk & Compliance Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principals relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of the amounts paid to the auditor of the Group, KPMG, and its network firms for audit and non-audit services provided during the year are set out below.

	2019
	$
Services other than audit and review of financial statements:	
Other regulatory audit services	**72,344**
Audit and review of financial statements	**171,656**
Total paid to KPMG	**244,000**

Environmental Regulations

As a Trustee of a property owner, the Group is subject to the normal environmental regulations of landowners within Australia. The Directors are not aware of any significant breaches during the year.

Auditors' Independence Declaration

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A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* (Cth) is set out on page 97.

Rounding

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

Financial report
What's inside.

Financial Statements

Notes to the Financial Statements

Declarations / Reports

About the Financial Report

This report covers Growthpoint Properties Australia Limited and its controlled entities, Growthpoint Properties Australia Trust and its controlled entities, together being a stapled group. Growthpoint Properties Australia Limited is the Responsible Entity for Growthpoint Properties Australia Trust. The financial report is presented in Australian dollars.

Growthpoint Properties Australia Trust and its Responsible Entity, Growthpoint Properties Australia Limited, are both domiciled in Australia. The Responsible Entity's registered office and principal place of business is Level 31, 35 Collins Street, Melbourne, Victoria, 3000, Australia.

A description of the nature of the stapled group's operations and its principal activities is included in the Directors' Report which is not part of the financial report.

The financial report was authorised for issue by the Directors on 22 August 2019. The Directors have the power to amend and reissue the financial report.

References to "the year" or "FY19" in this report refer to the year ended 30 June 2019 unless the context requires otherwise. References to "FY20" and "FY21" relate to the twelve months ending 30 June in the year listed.

References to "balance date" in this report refer to 30 June 2019 unless the context requires otherwise.

Consolidated Statement of Profit or Loss and Other Comprehensive Income.

For the year ended 30 June 2019	Notes	2019	2018
		$'000	*$'000*
Revenue			
Property revenue	2.1	**270,957**	254,239
Distributions from investment in securities		**5,036**	4,886
Straight line adjustment to property revenue		**6,237**	5,962
Net changes in fair value of investment properties	2.2	**201,581**	166,958
Profit/ (loss) on sale of investment properties		**(1,144)**	24,419
Net change in fair value of investment in securities	2.3	**7,109**	10,368
Net change in fair value of derivatives		**16,973**	(573)
Loss on settlement of derivatives		**(13,826)**	–
Net investment income		**492,923**	466,259
Expenses			
Property expenses	2.1	**(45,604)**	(40,614)
Other expenses from ordinary activities		**(13,943)**	(13,362)
Total expenses		**(59,547)**	(53,976)
Profit from operating activities		**433,376**	412,283
Interest income		**529**	316
Borrowing costs	3.2	**(56,139)**	(54,797)
Net finance costs		**(55,610)**	(54,481)
Profit before income tax		**377,766**	357,802
Income tax expense	4.3	**(2,474)**	(93)
Profit for the period		**375,292**	357,709
Profit attributable to:			
Owners of the Trust		**370,514**	358,762
Owners of the Company		**4,778**	(1,053)
		375,292	357,709
Distribution to Securityholders	3.6	**(167,387)**	(148,432)
Change in net assets attributable to Securityholders / Total Comprehensive Income		**207,905**	209,277
Basic and diluted earnings per stapled security (cents)	3.7	**52.9**	53.5

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position.

As at 30 June 2019	Notes	2019	2018
		$'000	$'000
Current assets			
Cash and cash equivalents		**30,172**	31,463
Trade and other assets	2.5	**5,364**	6,583
Assets held for sale	2.4	**–**	64,250
Total current assets		**35,536**	102,296
Non-current assets			
Plant & equipment		**692**	930
Investment properties	2.2	**3,983,750**	3,291,800
Investment in securities	2.3	**85,606**	78,497
Derivative financial instruments	3.3	**11,246**	–
Net deferred tax assets	4.3	**1,030**	1,046
Total non-current assets		**4,082,324**	3,372,273
Total assets		**4,117,860**	3,474,569
Current liabilities			
Trade and other liabilities	2.6	**50,108**	37,370
Distribution to Securityholders	3.6	**84,424**	75,643
Current tax payable		**2,296**	67
Total current liabilities		**136,828**	113,080
Non-current liabilities			
Trade and other liabilities	2.6	**67**	69
Interest bearing liabilities	3.1	**1,433,335**	1,197,555
Derivative financial instruments	3.3	**1,164**	6,892
Total non-current liabilities		**1,434,566**	1,204,516
Total liabilities		**1,571,394**	1,317,596
Net assets		**2,546,466**	2,156,973
Securityholders' funds			
Contributed equity	3.5	**1,879,366**	1,698,702
Reserves		**8,541**	7,616
Accumulated profits		**658,559**	450,655
Total Securityholders' funds		**2,546,466**	2,156,973

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity.

For the year ended 30 June 2019	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 30 June 2018	1,698,702	7,054	555	7	450,655	**2,156,973**
Total comprehensive income for the year						
Profit after tax for the year	–	–	–	–	375,292	**375,292**
Total other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	375,292	**375,292**
Transactions with Securityholders in their capacity as Securityholders:						
Contributions of equity, net of transaction costs	180,664	–	–	–	–	**180,664**
Distributions provided or paid	–	–	–	–	(167,387)	**(167,387)**
Share-based payment transactions	–	916	–	–	–	**916**
Deferred tax expense charged to equity	–	–	8	–	–	**8**
Total transactions with Securityholders	180,664	916	8	–	(167,387)	**14,201**
Balance at 30 June 2019	1,879,366	7,970	564	7	658,560	**2,546,466**

Total recognised income and expense for the year is attributable to:	
– Trust	**370,514**
– Company	**4,778**
Growthpoint Properties Australia	**375,292**

Consolidated Statement of Changes in Equity continued

For the year ended 30 June 2018	Contributed equity	Share-based payments reserve	Deferred tax expenses charged to equity	Profits reserve	Accumulated profits	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*	*$'000*
Balance at 30 June 2017	1,653,735	5,825	537	7	241,377	**1,901,481**
Total comprehensive income for the year						
Profit after tax for the year	–	–	–	–	357,709	**357,709**
Total other comprehensive income	–	–	–	–	–	**–**
Total comprehensive income for the year	–	–	–	–	357,709	**357,709**
Transactions with Securityholders in their capacity as Securityholders:						
Contributions of equity, net of transaction costs	44,967	–	–	–	–	**44,967**
Distributions provided or paid	–	–	–	–	(148,432)	**(148,432)**
Share-based payment transactions	–	1,229	–	–	–	**1,229**
Deferred tax expense charged to equity	–	–	18	–	–	**18**
Total transactions with Securityholders	44,967	1,229	18	–	(148,432)	**(102,218)**
Balance at 30 June 2018	1,698,702	7,054	555	7	450,655	**2,156,973**

Total recognised income and expense for the year is attributable to:	
– Trust	**358,762**
– Company	**(1,053)**
Growthpoint Properties Australia	**357,709**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Consolidated Cash Flow Statement.

For the year ended 30 June 2019	Notes	2019	2018
		$'000	$'000
Cash flows from operating activities			
Cash receipts from customers		**251,323**	247,928
Cash payments to suppliers		**(61,049)**	(52,604)
Cash generated from operating activities		**190,274**	195,324
Interest paid		**(54,001)**	(56,568)
Taxes paid		**(220)**	(360)
Net cash inflow from operating activities	2.7 (b)	**136,053**	138,396
Cash flows from investing activities			
Interest received		**529**	317
Distributions received from investment in securities		**3,777**	3,673
Receipts from sale of investment properties		**43,674**	194,766
Payments for investment properties		**(428,867)**	(66,943)
Payments for investment in securities		**–**	(68,129)
Payments for plant & equipment		**(31)**	(25)
Net cash inflow/(outflow) from investing activities		**(380,918)**	63,659
Cash flows from financing activities			
Proceeds from external borrowings		**618,742**	322,547
Repayment of external borrowings		**(383,400)**	(424,691)
Proceeds from equity raising		**181,728**	44,968
Equity raising costs		**(1,064)**	–
Payment for settlement of derivatives		**(13,826)**	–
Distributions paid to Securityholders		**(158,606)**	(144,875)
Net cash inflow/(outflow) from financing activities		**243,574**	(202,051)
Net inflow in cash and cash equivalents		**(1,291)**	4
Cash and cash equivalents at the beginning of the period		**31,463**	31,459
Cash and cash equivalents at the end of the period	2.7 (a)	**30,172**	31,463

The above Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements.

Section 1: Basis of preparation

in this section ...

This section 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	Valuation	Consolidated Book Value 30-Jun-19	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	Valuation	Consolidated Book Value 30-Jun-19	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.

Directors' declaration.

In the opinion of the Directors:

(a) the attached Financial Statements and notes, and the Remuneration Report in the Directors' Report set out on pages 32 to 53 are in accordance with the *Corporations Act 2001* (Cth), including:

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

(ii) giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

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

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

The Directors have been given the declarations required by Section 295A of the *Corporations Act 2001* (Cth) from the Managing Director and Chief Financial Officer for the financial year ended 30 June 2019.

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

T.J. Collyer.

Timothy Collyer
Managing Director
Growthpoint Properties Australia Limited

Melbourne, 22 August 2019

Auditor's independence declaration.

KPMG

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

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

I declare that, to the best of my knowledge and belief, in relation to the audit of Growthpoint Properties Australia Limited, being the Responsible Entity of Growthpoint Properties Australia Trust for the financial year ended 30 June 2019 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Dean Waters
Partner

Melbourne
22 August 2019

Independent Auditor's report.

KPMG

Independent Auditor's Report

To the stapled security holders of Growthpoint Properties Australia

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Growthpoint Properties Australia (the Stapled Group Financial Report).

In our opinion, the accompanying Stapled Group Financial Report is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Group's*** financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** of the Stapled Group comprises:

- Consolidated statement of financial position as at 30 June 2019
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Stapled Group*** comprises, Growthpoint Properties Australia Trust (the Trust) and the entities it controlled at the year-end or from time to time during the year, and Growthpoint Properties Australia Limited (the Company) and the entities it controlled at the year-end or from time to time during the year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Stapled Group, Growthpoint Properties Australia Trust and Growthpoint Properties Australia Limited (the Responsible Entity in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

The ***Key Audit Matters*** we identified for the Stapled Group are:

- Valuation of Investment Properties; and
- Recognition of Rental Income

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's report
continued

KPMG

Valuation of Investment Properties ($3,984 million)	
Refer to Note 2.2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The valuation of the Stapled Group's investment property portfolio, given it represents the majority of the total assets of the Stapled Group and requires significant judgement by us, is a key audit matter. The Stapled Group has investment properties valued at $3,984 million, which constitutes 97% of the Group's total assets as at 30 June 2019. The fair value of the investment properties was determined by the Board of Directors in accordance the Stapled Group's valuation policy. Each property is subjected to external valuation at least once every 12 months, conducted by JLL, Savills, Urbis, CBRE, Knight Frank, Colliers and m3property. Properties not externally valued at 30 June 2019 are appraised by internal valuation experts. The Stapled 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; and • Capitalised income projections based on each property's estimated net market income, and a capitalisation rate derived from analysis of market evidence.	Our procedures included: • Examining the external valuations to evaluate the appropriateness of the valuation methodologies and that assumptions used is in accordance with industry practice and the *Australian Accounting Standards*; • Assessing the scope, competence and objectivity of the external valuers engaged by the Stapled Group; • Checking a sample of internal and external valuations of the Stapled Group to published reports of industry commentators for comparable investment properties; • Checking a sample of internal and external valuer's assumptions and data by comparing key inputs to discounted cash flow projections, such as discount rate and capitalisation rate, to published reports of industry commentators. We also tested, on a sample basis, other key inputs to the valuations, such as, gross rent, occupancy rate, lease term remaining and lease commitments, for consistency to existing lease contracts; • Checking accuracy of the cost to complete for development properties to progress reports; • Checking property acquisitions and disposals to signed contracts; and • Considering the Stapled Group's disclosures in relation to the use of estimates and judgements regarding the fair value of investment properties and the Stapled Group's valuation policies adopted and fair value disclosures for compliance with the *Australian Accounting Standards*.

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Independent Auditor's report
continued

KPMG

Recognition of Property revenue ($271 million) and Straight line adjustment to property revenue ($6 million)	
Refer to Note 2.2 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Property revenue comprise lease income from the Stapled Group's investment properties. In FY19, the Stapled Group entered into new lease contracts either with new customers or through investment property acquisitions. The revenue generated from all lease contracts constitutes 56% of net investment income. Accounting recognition of lease income and straight line adjustment to lease income is a key audit matter as lease income represents a significant portion of net investment income and the volume of new and amended leases results in additional audit effort around the straight line adjustment to lease income. Lease income 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.	Our procedures included: • Checking lease income to cash receipts on a sample basis; • Comparing lease income reported against hypothetical lease income for FY19, calculated by applying the weighted average annual rent increase to the base rent balances of FY18 and adjusting for tenancy movements and, acquisitions and disposals of investment properties; • Performing a recalculation of the straight line adjustment for a sample of lease contracts by dividing minimum lease income by the lease term; • Checking that new, cancelled or variations to leases, are reflected in the Stapled Group's straight line calculations; and • Checking a sample of rental income for leases subject to market reviews, to the original signed lease contract with the terms associated to the market reviews, and documentation between the parties confirming the revised market rates.

Other Information

Other Information is financial and non-financial information in Growthpoint Properties Australia's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Independent Auditor's report
continued

KPMG

Responsibilities of the Directors for the Financial Report

The Directors of the Responsible Entity are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Stapled Group's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Stapled Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report of Growthpoint Properties Australia Limited

The information below is a reproduction of our opinion on the Remuneration Report of Growthpoint Properties Australia Limited (the Company) as the Responsible Entity of Growthpoint Properties Australia Trust.

Opinion

In our opinion, the Remuneration Report of Growthpoint Properties Australia Limited for the year ended 30 June 2019, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Growthpoint Properties Australia Limited are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A* of the *Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in pages 32 to 53 of the Directors' report for the year ended 30 June 2019.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Dean Waters
Partner

Melbourne
22 August 2019

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Business Overview
Portfolio Review
Financial Management
Board & Remuneration Report
Financial Report
Additional Information

Detailed portfolio information.

Office Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			$'000		*%*	*%*		*years*	*sqm*	*sqm*
75 Dorcas St	South Melbourne	VIC	212,500	Savills	5.5	6.5	ANZ Banking Group	5.3	23,811	9,632
Bldg 2, 572-576 Swan St	Richmond	VIC	115,000	JLL	5.0	6.5	Country Road Group	13.0	14,602	7,201
109 Burwood Rd	Hawthorn	VIC	113,500	JLL	5.5	6.8	Orora	4.9	12,388	3,529
Bldg 3, 570 Swan St	Richmond	VIC	111,000	Savills	6.0	7.0	–	–	–	8,557
Bldg B, 211 Wellington Rd	Mulgrave	VIC	73,500	Directors	6.3	7.0	Monash University	1.5	12,780	11,040
Bldg 1, 572-576 Swan St	Richmond	VIC	62,500	Directors	5.0	6.5	Country Road Group	13.0	8,554	8,262
Bldg C, 211 Wellington Rd	Mulgrave	VIC	60,000	Directors	6.0	7.0	BMW Australia Finance	3.5	10,289	11,070
Car Park, 572-576 Swan St	Richmond	VIC	1,200	JLL	-	7.0	GE Capital Finance Australasia	7.9	–	3,756
100 Skyring Tce	Newstead	QLD	251,000	Directors	5.8	6.5	Bank of Queensland	6.9	24,665	5,157
15 Green Square Cl	Fortitude Valley	QLD	153,000	Urbis	5.8	6.8	Queensland Urban Utilities	2.7	16,442	2,519
333 Ann St	Brisbane	QLD	137,000	Urbis	5.8	6.8	Federation University	3.5	16,341	1,563
CB1, 22 Cordelia St	South Brisbane	QLD	103,200	Colliers	6.0	7.0	Downer EDI Mining	3.1	11,529	5,772
A1, 32 Cordelia St	South Brisbane	QLD	93,750	Directors	5.8	6.8	Jacobs Group	6.6	10,003	2,667
A4, 52 Merivale St	South Brisbane	QLD	86,500	Urbis	5.9	7.0	University of the Sunshine Coast	4.2	9,405	2,331
CB2, 42 Merivale St	South Brisbane	QLD	61,500	Directors	5.8	6.8	Peabody Energy	5.6	6,598	3,158
Car Park, 32 Cordelia St & 52 Merivale St	South Brisbane	QLD	29,250	Directors	6.0	7.5	Secure Parking	0.4	–	9,319
33-39 Richmond Rd	Keswick	SA	63,500	Knight Frank	7.5	8.0	Coffey Corporate	4.1	11,835	4,169
1 Charles St	Parramatta	NSW	353,000	Directors	5.3	6.5	NSW Police	4.9	32,356	6,460
Bldg C, 219-247 Pacific Hwy	Artarmon	NSW	132,000	Directors	5.8	6.8	Fox Sports	3.8	14,375	4,212
5 Murray Rose Ave	Sydney Olympic Park	NSW	104,000	Directors	5.8	6.8	Lion	4.8	12,386	3,826
3 Murray Rose Ave	Sydney Olympic Park	NSW	103,000	m3property	6.0	6.8	Samsung	2.7	13,423	3,980
102 Bennelong Pkwy	Sydney Olympic Park	NSW	34,000	m3property	6.3	6.8	Suzanne Grae Corporation	1.8	5,243	6,635
6 Parkview Dr	Sydney Olympic Park	NSW	33,500	m3property	6.3	6.8	Universities Admissions Centre	2.1	5,033	7,788
10-12 Mort St	Canberra	ACT	99,250	CBRE	6.1	6.8	Commonwealth of Australia	5.7	15,398	3,064
255 London Cct	Canberra	ACT	76,000	Directors	5.8	6.8	Commonwealth of Australia	8.2	8,972	2,945
836 Wellington St	West Perth	WA	92,500	Savills	6.3	7.0	Commonwealth of Australia	7.6	11,973	4,304
Total / Weighted Average			**2,755,150**		**5.7**	**6.7**		**5.1**	**308,401**	**142,916**

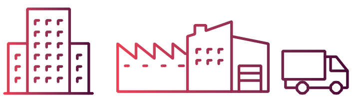
Detailed portfolio information continued

Industrial Portfolio

Address			Book Value	Valuer	Cap rate	Discount rate	Major tenant	WALE	Lettable area	Site area
			$'000		*%*	*%*		*years*	*sqm*	*sqm*
120 Northcorp Blvd	Broadmeadows	VIC	56,500	Savills	7.3	7.5	Woolworths	0.6	58,320	250,000
1500 Ferntree Gully Rd & 8 Henderson Rd	Knoxfield	VIC	46,000	CBRE	5.8	6.8	Brown & Watson International	6.4	22,009	40,844
9-11 Drake Blvd	Altona	VIC	35,250	Directors	6.3	7.0	Peter Stevens Motorcycles	4.3	25,743	41,730
40 Annandale Rd	Melbourne Airport	VIC	33,000	Savills	8.0	6.8	Australian Postal Corporation	5.0	44,424	75,325
Lots 2, 3 & 4, 34-44 Raglan St	Preston	VIC	30,000	Directors	6.5	7.0	Paper Australia	2.7	27,978	42,280
120-132 Atlantic Dr	Keysborough	VIC	28,000	Directors	5.3	6.5	Symbion	9.5	12,864	26,181
130 Sharps Rd	Melbourne Airport	VIC	24,750	Directors	8.0	6.8	Laminex Group	3.0	28,100	47,446
120 Link Rd	Melbourne Airport	VIC	18,000	Directors	8.3	7.0	The Workwear Group	8.0	26,517	51,434
20 Southern Crt	Keysborough	VIC	15,800	Colliers	6.3	7.0	Sales Force National	3.5	11,430	19,210
6 Kingston Park Crt	Knoxfield	VIC	12,700	CBRE	6.3	6.8	NGK Spark Plug	2.9	7,645	12,795
31 Garden St	Kilsyth	VIC	12,600	Directors	6.0	6.8	Cummins Filtration	4.4	8,919	17,610
60 Annandale Rd	Melbourne Airport	VIC	12,300	m3property	8.3	7.0	Garden City Planters	8.9	16,276	34,726
3 Millennium Crt	Knoxfield	VIC	12,300	Directors	6.0	7.0	Orora	1.7	8,040	14,750
101-111 South Centre Rd	Melbourne Airport	VIC	9,100	Directors	7.8	7.8	Direct Couriers	8.4	14,082	24,799
19 Southern Crt	Keysborough	VIC	8,200	Colliers	6.3	7.3	Vacant	0.0	6,455	11,650
75 Annandale Rd	Melbourne Airport	VIC	7,900	m3property	8.0	7.0	Neovia Logistics Services	0.3	10,280	16,930
70 Distribution St	Larapinta	QLD	232,500	Directors	6.5	6.5	Woolworths	2.7	76,109	250,900
13 Business St	Yatala	QLD	13,100	Directors	6.8	7.3	Reward Supply Co.	0.2	8,951	18,630
5 Viola Pl	Brisbane Airport	QLD	9,500	Directors	7.5	7.8	CEVA Logistics	0.4	14,726	35,166
3 Viola Pl	Brisbane Airport	QLD	2,500	Directors	7.5	7.5	Cargo Transport Systems	3.7	3,431	12,483
20 Colquhoun Rd	Perth Airport	WA	175,000	Directors	6.0	6.8	Woolworths	6.3	80,374	193,936
Hugh Edwards Dr & Tarlton Cr	Perth Airport	WA	48,550	Directors	7.6	8.0	Mainfreight	5.4	32,018	57,617
27-49 Lenore Dr	Erskine Park	NSW	74,750	JLL	5.5	6.5	Linfox	4.2	29,476	76,490
6-7 John Morphett Pl	Erskine Park	NSW	51,750	Directors	5.5	6.8	Linfox	0.8	24,881	82,280
51-65 Lenore Dr	Erskine Park	NSW	38,000	Directors	5.3	6.8	Linfox	8.7	3,720	36,720
34 Reddalls Rd	Kembla Grange	NSW	27,000	JLL	6.0	7.3	Autocare Services	11.3	355	141,100
81 Derby St	Silverwater	NSW	20,400	Directors	5.5	6.8	IVE Group Australia	3.2	7,984	13,490
599 Main North Rd	Gepps Cross	SA	126,000	Urbis	5.3	6.8	Woolworths	16.0	67,238	233,500
1-3 Pope Crt	Beverley	SA	21,900	Knight Frank	7.5	8.0	Aluminium Specialties Group	1.9	14,459	25,660
12-16 Butler Blvd	Adelaide Airport	SA	15,850	Directors	8.0	8.3	Cheap as Chips	1.4	16,800	30,621
10 Butler Blvd	Adelaide Airport	SA	9,400	Directors	8.4	8.0	Toll Transport	2.6	8,461	16,100
Total / Weighted Average			**1,228,600**		**6.3**	**6.9**		**4.8**	**718,065**	**1,952,403**

10 years of growth.

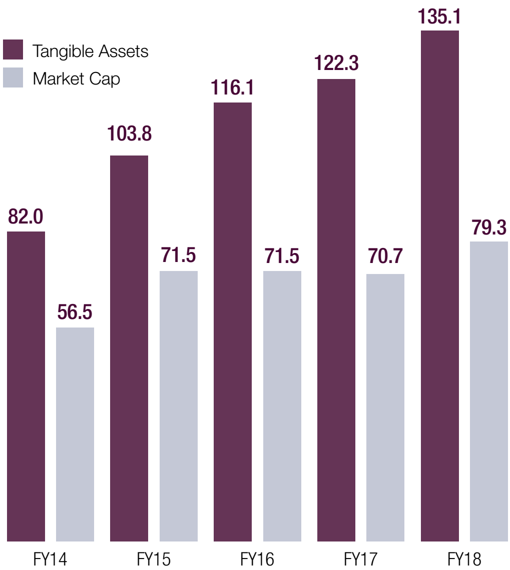
Property portfolio key metrics summary



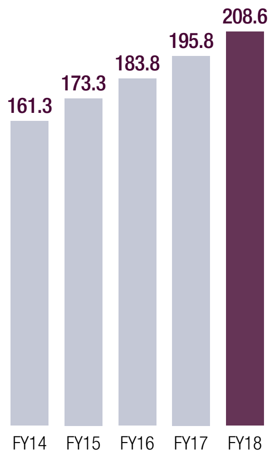
As at 30 June		FY19	FY18	FY17	FY16	FY15	FY14	FY13	FY12	FY11	FY10
Number of properties	*no.*	**57**	57	58	58	53	51	44	42	37	25
Total value	*$m*	**3,983.8**	3,356.1	3,283.8	2,832.6	2,372.5	2,093.7	1,694.5	1,634.8	1,244.9	756.9
Occupancy	*%*	**98**	98	99	99	97	98	98	99	100	100
Like-for-like value change	*$m / % of asset value*	**330.9 / 10.0**	193.8 / 6.2	138.6 / 5.2	130.2 / 5.5	186.0 / 9.0	52.1 / 3.0	30.6 / 2.0	37.0 / 3.2	14.6 / 2.0	NA
Total lettable area	*sqm*	**1,026,466**	1,003,444	1,056,336	1,109,545	1,050,611	1,036,740	917,989	900,676	844,037	731,798
Weighted average property age	*years*	**11.3**	10.6	9.6	9.2	8.3	7.9	6.6	6.0	5.0	7.5
Weighted average valuation cap rate	*%*	**5.9**	6.2	6.5	6.9	7.3	7.9	8.4	8.3	8.5	8.6
WALE	*years*	**5.0**	5.3	6.1	6.9	6.7	6.9	6.8	7.2	9.0	10
WARR	*%*	**3.3**[1]	3.3	3.3	3.1	3.0	3.2	3.1	3.2	3.0	–[2]
Average value (per sqm)	*$*	**3,881**	3,345	3,109	2,553	2,258	2,019	1,846	1,815	1,475	1,034
Average rent (per sqm, per annum)	*$*	**260**	238	231	198	183	171	162	161	121	–[2]
FY net property income	*$m*	**225.4**	213.6	223.3	181.2	171.8	148.7	133.4	108.9	79.2	59.3
Number of tenants	*no.*	**154**	142	145	116	97	90	90	87	50	18

1. Assumes CPI change of 1.6% per annum as per Australian Bureau of Statistics release for FY19.
2. Figures not available.

About Growthpoint South Africa.[1]



Growth in tangible assets and market capitalisation (Rbn)
as at 31 December 2018



Growth in distributions (R¢)
per share, as at 31 December 2018

Gross assets (R)[2]

$138.7bn

(AUD: $13.7bn)

Gearing (SA only)

35.9%

Market capitalisation (R)[2]

$69.2bn

(AUD: $6.8bn)

Listing	**JSE**
Ranking on JSE (by market cap)	**21**
Net assets[2]	**R84.8bn / AU$8.3bn**
Distributable income[3]	**R3.1bn / AU$303m**
ICR (SA only)	**3.6x**
No. of employees (SA only)	**601**
Properties[4]	**478**

Growthpoint Properties Limited of South Africa ("GRT") owns 62.22% of the securities of Growthpoint (at 1 August 2019) and is its major Securityholder.

Other information about GRT

- Included in the JSE Top 40 Index
- Top ten constituent of FTSE EPRA / NAREIT Emerging Index
- Included in the FTSE/JSE Responsible Investment Index, FTSE4Good Index and the Dow Jones Sustainability Index
- Underpinned by high-quality, physical property assets, diversified across sectors (Retail, Office and Industrial) and geography (South Africa, Australia, Poland and Romania)
- 15-year track record of uninterrupted dividend growth
- Sustainable quality of earnings that can be projected with a high degree of accuracy
- Well capitalised and conservatively geared
- Best Practice corporate governance
- Transparent reporting
- Dynamic and proven management track record
- Recipient of multiple sustainability, governance and reporting awards
- Baa3 global scale rating from Moody's

As of 31 December 2018 Growthpoint represents:

- 27.7% of GRT's gross property assets
- 22.9% of GRT's net property income
- 16.7% of GRT's total distributable income

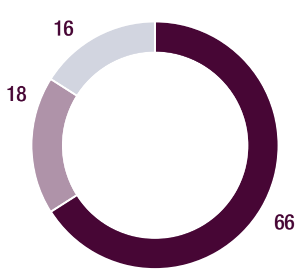
1. As at 31 December 2018
2. Closing exchange rate used AUD:ZAR=10.12.
3. For the 6-months using an average exchange rate of R10.27/AUD.
4. 478 properties in South Africa, including 50% ownership of the prestigious V&A Waterfront. 52 Properties in Eastern Europe, 22 in Romania and 30 in Poland, through its 29% holding of AIM listed Globalworth Real Estate Investments Ltd and its 21.6% holding of Warsaw listed Globalworth Poland Real Estate N.V.

Securityholder information.

Top 20 Legal Securityholders as at 1 August 2019

Rank	Name	No. of Securities	% of Securities
1	GROWTHPOINT PROPERTIES LIMITED	480,025,424	**62.22**
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	76,770,657	**9.95**
3	CITICORP NOMINEES PTY LIMITED	50,098,430	**6.49**
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	44,017,701	**5.71**
5	NATIONAL NOMINEES LIMITED	25,082,752	**3.25**
6	EMIRA PROPERTY FUND	14,409,692	**1.87**
7	BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	6,453,768	**0.84**
8	BNP PARIBAS NOMS PTY LTD <DRP>	4,717,286	**0.61**
9	BRISPOT NOMINEES PTY LTD <HOUSE HEAD NOMINEE A/C>	4,388,552	**0.57**
10	CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	2,739,861	**0.36**
11	SHARON INVESTMENTS PTY LTD	2,255,779	**0.29**
12	RABINOV HOLDINGS PTY LTD	2,053,979	**0.27**
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	1,561,414	**0.20**
14	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	1,249,071	**0.16**
15	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	1,230,195	**0.16**
16	AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,041,211	**0.13**
17	SANDHURST TRUSTEES LTD <BERKHOLTS INVESTMENTS A/C>	987,442	**0.13**
18	WARBONT NOMINEES PTY LTD <UNPAID ENTREPOT A/C>	973,672	**0.13**
19	AMP LIFE LIMITED	938,991	**0.12**
20	JONAERE PTY LTD <JDM LEGACY A/C>	783,779	**0.10**
Total Top 20 legal holders of fully paid stapled securities		**721,779,658**	**93.55**
Total Remaining Holders Balance		**49,731,119**	**6.45**

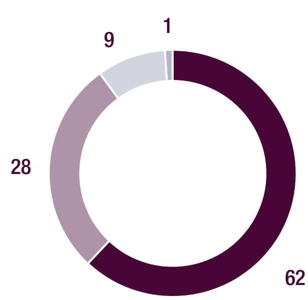
Location of Growthpoint Securityholders* (%)
as at 1 August 2019



South Africa
Australia
Rest of World

* Figures are approximate and based on beneficial ownership.

Growthpoint Securityholders* (%)
as at 1 August 2019



GRT
Institutional
Retail and Other
Directors and Employees

Securityholder information
continued

Distribution of Securityholders as at 1 August 2019

There is currently only one class of Growthpoint securities, being ordinary securities, and there are no securities currently held in escrow. All of Growthpoint's securities are quoted on the ASX and no other stock exchanges. Growthpoint does not currently have any share buy-back plans in place.

The number of Securityholders holding less than a marketable parcel of 114 securities (based on the 1 August 2019 closing price of $4.42) is 200 and they hold 2,200 Growthpoint securities. In accordance with the ASX Listing Rules, a "marketable parcel" is "…a parcel of securities of not less than $500…"

Range	Total holders	Securities	% of Issued Capital
1 - 1,000	844	382,445	0.05
1,001 - 5,000	1,471	4,134,859	0.54
5,001 - 10,000	722	5,246,616	0.68
10,001 - 100,000	945	22,941,181	2.97
100,001 - 9,999,999,999	94	738,805,674	95.76
Rounding			0.00
Total	**4,076**	**771,510,775**	**100.00**

As at 1 August 2019, there were 771,510,775 fully-paid stapled securities held by 4,076 individual Securityholders.

Substantial holders as at 1 August 2019

Name	No. of Securities	% of issued capital
Growthpoint Properties Limited	480,025,424	**62.22**

Frequently asked questions.

How do I update my contact details?

Please update your details via **Computershare**. Please note you will require your holder identification number.

How do I buy or sell Growthpoint securities?

Growthpoint securities trade on the ASX under the code 'GOZ'. To buy or sell securities directly you must transact via an ASX approved broker (including on-line brokers such as NAB, E-Trade and Commsec). More details are available at **asx.com.au/products/shares/buying-selling-shares.htm**.

Growthpoint cannot sell direct to you other than via the DRP or, in certain limited circumstances, additional equity raisings.

Why does Growthpoint outsource its registry function to Computershare?

Most ASX-listed entities outsource this function to a third party registry provider. Growthpoint does not have the scale or in-house resources (including technology) to in-source this function. Computershare is one of the largest registry providers in Australia and is included in the ASX's top 100 companies with a market capitalisation of approximately $8.0 billion. Growthpoint has chosen Computershare on the basis of its price and service offering. Growthpoint regularly considers Computershare's performance (including any complaints or feedback received from Securityholders), pricing and services versus other providers to determine if it should continue to outsource this function to Computershare.

I have lost or not received a tax statement, holding statement or report. How can I obtain a replacement?

Contact Computershare in the first instance. Details are supplied below.

Contacting Computershare

For direct holders for Growthpoint securities, most matters can be dealt with on-line at: **www-au.computershare.com/Investor/**

Note that you will require your holder identification number.

If you cannot resolve matters on-line, contact details for Computershare are:

- **Address:** Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, VIC 3067 Australia
- **Telephone:** 1300 850 505 (within Australia) or +61(0) 3 9415 4000 (from outside of Australia)
- **Facsimile:** +61(0) 3 9473 2500
- **Email:** **webqueries@computershare.com.au**

For indirect holders, i.e. holders that hold securities via fund, custodian or other third party, you should contact that party. Computershare will only be able to assist those with holdings directly on Growthpoint's Securityholder register.

Complaints

Growthpoint Properties Australia aims to provide each Securityholder with a professional and high level of client service in managing the Stapled Group. If you have a complaint, you may contact us in writing to our registered address or by email to **complaints@growthpoint.com.au**, detailing the complaint. A response will normally be provided within 15 working days. All complaints should be addressed to the Complaints Manager.

The Responsible Entity is a member of the Australian Financial Complaints Authority (AFCA), an external, independent complaints handling organisation. AFCA can be contacted on 1800 931 678, should your complaint not be resolved by Growthpoint Properties Australia.

Contact us:

Web: **growthpoint.com.au**
Phone: 1800 260 453
Email: **info@growthpoint.com.au**

Connect with us:

Growthpoint Properties Australia

Notes.

Glossary of terms.

$ or dollar refers to Australian currency unless otherwise indicated

AFSL Australian Financial Services Licence

A-REIT Australian Real Estate Investment Trust

AUD Australian Dollars

ASX Australian Securities Exchange

bn billion

Board the board of directors of the Company

CAGR compound annual growth rate

Capex capital expenditure

Cap rate or capitalisation rate refers to the market income produced by an asset divided by its value or cost

CBD central business district

Company or responsible entity Growthpoint Properties Australia Limited

cps cents per security

CY16, CY17, CY18 the calendar year ended 31 December in the year listed i.e. "CY18" means the calender year ended 31 December 2018

discount rate the interest rate used in a discounted cash flow (DCF) analysis to determine the net present value of an asset's future cash flows

distributions the amount Securityholders receive by way of income in their hand (before any tax or brokerage costs). It is similar to a dividend by a company but it is payable by the Trust

dps distributions per security

DRP Distribution Reinvestment Plan

Funds From Operations (FFO) refer to explanation at the top of page 27

FYXX the 12 months ending/ended on 30 June in the year listed i.e. "FY19" means the 12 months ended 30 June 2019

Free float securities considered available for trading on the ASX. For Growthpoint, this is the market capitalisation less securities held by GRT in accordance with S&Ps released guidelines

HYXX the six months ending/ended on 31 December in the prior calendar year listed i.e. "HY19" means the six months ended 31 December 2018

ICR Interest coverage ratio

Gearing interest bearing liabilities less cash divided by total assets less cash

GOZ the ASX trading code that Growthpoint trades under

GRC platform governance, risk and compliance monitoring and reporting platform

gross assets the total value of assets

Growthpoint or the Group Growthpoint Properties Australia comprising the Company, the Trust and their controlled entities

Growthpoint SA or GRT Growthpoint Properties Limited of South Africa (Growthpoint's majority Securityholder) which trades on the JSE under the code "GRT"

IFRS International Financial Reporting Standards

JLL the Australian arm of Jones Lang LaSalle, an international professional services and investment management firm

JSE Johannesburg Stock Exchange

m million

NABERS National Australian Built Environment Rating System (a national system for measuring environmental performance of buildings)

NPI Net Property Income plus distributions from equity related investments

NTA net tangible assets

REIT real estate investment trust

Securityholder an owner of Growthpoint securities

S&P Standard & Poor's

sqm square metres

sustainability a process for ensuring activities are able to be continued and assets and resources are able to endure for the medium to long-term

Syndicated Facility syndicated loan facility from CBA, NAB, WBC and ANZ

Trust Growthpoint Properties Australia Trust

WALE weighted average lease expiry

WARR weighted average rent review

2019 Securityholder calendar*

22 August 2019

- Results for the full year ended 30 June 2019 announced to ASX

30 August 2019

- Distribution paid for the half year ending 30 June 2019
- FY19 Annual Report sent to Securityholders

31 October 2019

- Investor Update released to ASX

21 November 2019

- Annual General Meeting

* Dates indicative and subject to change by the Board.

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Contact details.

Retail Investors:

Computershare Investor Services Pty Limited
GPO Box 2975, Melbourne VIC 3001 Australia

Phone (within Australia): 1300 850 505
Phone (outside Australia): +61 (0)3 9415 4000
Fax: +61 (0)3 9473 2500
Email: webqueries@computershare.com.au

Institutional Investors:

Email: info@growthpoint.com.au
Investor Services Line: 1800 260 453

www.growthpoint.com.au

Corporate directory.

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

Growthpoint Properties Australia Trust
ARSN 120 121 002

Registered Office

Level 31, 35 Collins Street,
Melbourne VIC 3000 Australia

Phone: (03) 8681 2900
Fax: (03) 8681 2910

www.growthpoint.com.au

Directors

Geoffrey Tomlinson, Timothy Collyer, Maxine Brenner, Estienne de Klerk, Grant Jackson, Francois Marais, Norbert Sasse, Josephine Sukkar

Company Secretaries

Dion Andrews, Yien Hong[1]

Auditor
KPMG

Tower 2, 727 Collins Street
Melbourne VIC 3008 Australia

ASX Code

Growthpoint Properties Australia securities are listed on the Australian Securities Exchange (Code GOZ).

1. Yien Hong has been appointed Company Secretary and General Counsel on a fixed term contract until 23 August 2019.

2019 Annual Report

Growthpoint Properties Australia
Level 31, 35 Collins Street, Melbourne VIC Australia
Investor Services Line: 1800 260 453

www.growthpoint.com.au