

Appendix 4E: Report

For the year ended 30 June 2017



1. Propertylink Group

This report is for Propertylink Group ("PLG"), consisting of Propertylink (Holdings) Limited (ABN 59 092 684 798) ("PHL"), Propertylink Trust (ARSN 613 032 750) ("PT"), and Propertylink Australian Industrial Partnership (ARSN 613 032 812) ("PAIP").

Propertylink Group was formed on 15 August 2016 when shares in PHL and units in PT were stapled to the units in PAIP. Each stapled security comprises one PHL share, one PT unit, and one PAIP unit, and the stapled securities cannot be traded or dealt with separately.

The responsible entity of PT and PAIP is Propertylink Investment Management Limited (ACN 136 865 417), a wholly owned subsidiary of PHL.

2. Reporting period

The financial information contained in this report is for the year ended 30 June 2017 ('FY2017'). The Propertylink Group was listed on the Australian Securities Exchange (ASX) following the completion of the triple stapling of PHL, PT, and PAIP on 15 August 2016. The FY17 Financial Statements include profits generated by:

- PHL and PT from 1 July 2016 to 30 June 2017; and
- PAIP from 16 August 2016 to 30 June 2017.

The previous corresponding period is the full year ended 30 June 2016 ("FY2016"). No FY16 comparative figures are included in this Appendix 4E as they are not relevant to security holders in the listed Propertylink Group. For clarity, FY2016 comparative figures in the attached Financial Statements reflect only the financial results of the unlisted stapled PHL and PT group, and exclude the financial performance of PAIP.

The information disclosed under "results for announcement to the market" below do not contain any comparative figures for FY2016 as the triple stapled PLG was not formed until 15 August 2016. FY2016 results are not directly comparable to FY2017 results.

This report can be read in conjunction with the PLG annual report for the year ended 30 June 2017, which is available on Propertylink's website www.propertylink.com.au.

3. Results for announcement to the market¹

	Year ended 30 June 2017 \$'000
Total revenue and other income	136,979
Profit after tax attributable to stapled security holders	77,086
Profit after tax and other comprehensive income attributable to stapled security holders	87,213
Distributable earnings²	45,276
Distributable earnings per stapled security (cents per security) ³	7.51cps
Interim distribution (unfranked) per stapled security (cents per security)	2.70cps
Final distribution (unfranked) per stapled security (cents per security)	3.62cps
Total distribution (unfranked) per stapled security (cents per security)	6.32cps
Payment date for interim distribution	3 March 2017
Payment date for final distribution	4 September 2017
Net tangible assets per stapled security (cents per security)	87.3cps
Gearing ⁴	30.5%
Number of securities on issue from 15 August 2016 to 30 June 2017	602,780,330

1 No comparison is provided for FY2016 as PLG was formed on 15 August 2016. The Financial Statements attached to this Appendix 4E contain details of FY2016 results, which only consist of PHL and PT.

2 Distributable earnings is, in the opinion of the Directors, a measure that best reflects the underlying performance of the Group. For further information, refer to the Directors' Report for FY2017.

3 All calculations resulting in cents per stapled security have been calculated using the number of securities on issue from 15 August 2016 to 30 June 2017.

4 Calculated as interest bearing liabilities less cash divided by total tangible assets less cash.

4. Commentary on the results

Refer to the Directors' Report on the full year accounts for the period ended 30 June 2017 for commentary on the results of the Propertylink Group.

5. Distributions and distribution reinvestment plan

On 3 March 2017 PAIP paid an interim distribution of 2.7 cents per security to holders at the record date of 30 December 2016.

The Directors have declared that a final distribution of 3.62 cents per stapled security will be paid on 4 September 2017 to security holders at the record date of 30 June 2017. The distribution will be paid by PAIP and PT and will not be franked.

There is no distribution reinvestment plan for the Propertylink Group.

6. Changes in control over group entities

As disclosed, the Propertylink Group was formed on 15 August 2016 when PHL shares and PT units were stapled to PAIP units. PHL was the deemed acquirer of PAIP, and gained control of PAIP and its subsidiaries on and from 15 August 2016.

7. Details of associates and joint venture entities

The Propertylink Group has seven investments in joint ventures (JV's) all of which invest in properties for the purposes of earning rental income. Full details of these investments can be found in the attached FY2017 reports. Key information for FY2017 is:

Entity	Equity interest percentage %	Equity Investment value \$'000	Share of net profit/(loss)
Propertylink Enhanced Partnership	25.00%	22,772	6,690
50 Ann Propertylink Enhanced Partnership	25.00%	19,980	(2,058)
PAIP Investment Partnership ¹	0.00%	-	304
Auslog Holdings Trust ²	0.00%	-	499
PHL Moelis Braeside Trust	10.00%	2,521	656
POP II Investment Partnership	20.00%	6,313	684
Propertylink Commercial Industrial Investments	7.50%	889	94
Propertylink Australian Industrial Partnership II	3.93%	4,405	27
POP III Investment Partnership	11.21%	6,466	1,640
Total		63,346	8,536

1 PT sold its investment in PAIP Investment Partnership immediately prior to the IPO on 15 August 2016, but received income distributions for the period 1 July to 15 August 2016.

2 The assets held by Auslog Holdings Trust were sold in February 2017 and the trust has been wound up.

Compliance Statement

This Appendix 4E has been prepared in accordance with AASB Standards (including Australian interpretations) and other standards acceptable to the ASX. Additional Appendix 4E disclosure requirements and commentary on significant features of the operating performance, results of segment, trends in performance and other factors affecting the results for the year are contained in the Directors' Report and the Financial Statements for the year ended 30 June 2017.

This report is based on consolidated Financial Statements for the year ended 30 June 2017, which have been audited by KPMG, and should be read in conjunction with the Financial Statements.

A copy of the Propertylink Group report for FY2017, with the auditors audit opinion, has been lodged with the ASX.



Tony Groth FCA
Chief Financial Officer
14 August 2017

15
TALAVERA ROAD

Annual Report

2017

thinking property

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About This Report

Propertylink Group listed on the Australian Securities Exchange (ASX) and commenced unconditional trading on 15 August 2016 after stapling the securities of Propertylink Australian Industrial Partnership (PAIP) with Propertylink (Holdings) Limited (PHL) and Propertylink Trust (PT).

The information contained in this Annual Report represents the consolidated results of the Propertylink Group for the year ended 30 June 2017 and reflects the results of PHL and PT from 1 July 2016 and PAIP from 16 August 2016. References to Propertylink or PLG in this report are references to the Propertylink Group.

Cover Image

Appearing on the cover is 15 Talavera Road, Macquarie Park, NSW. This property is a modern campus style business park with ancillary warehouse accommodation located within the technology office and business park precinct of Macquarie Park, approximately 17km north-west of the Sydney CBD. Significant upgrades to this building were undertaken during the year including a modernised lobby and exterior, end of trip facilities, new bathrooms and updated lift lobbies. Strong leasing combined with the strategic capital expenditure undertaken on this property, has driven the capitalisation rate from 7.3% to 6.5% since IPO. This property delivers to the portfolio a high quality, fully leased asset in a highly sought after location.

Highlights

Financial

Distributable earnings of
\$45.3m
exceeding PDS forecast of \$40.2m

Distribution of
6.32 cps
reflecting a payout ratio of 84%

Growth in NTA to
87.3 cps
up 11.8 cents since IPO

Balance sheet gearing
30.5%
down from 35% at IPO

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Wholly Owned Industrial Portfolio

Increase in WALE to
4.4 years
up from 3.6 years at IPO

Occupancy increased to
97%
up from 95% at IPO

FY2018 lease expiry reduced to
10%¹
significantly derisking FY2018 earnings

Tenant retention of
78%
across 21 lease renewals
and 37 new leases

Investment Management

Average total return of
21%
delivered across the portfolio to date²

Average total return of
29%
achieved on assets divested
during the year

Property acquisitions of
\$500m
during the year

Co-investments delivering
\$4.7m
to distributable earnings
in FY2017

1. After excluding 150-156 McCredie Road, Smithfield sold in July 2017.

2. Weighted average total return across external funds excluding PAIP II and 50 Ann Street, Brisbane (PEP) in the acquisition phase in FY2017.

Chairman's Message



Peter Lancken

Chairman
Propertylink

On behalf of the Board, welcome to the Propertylink Group's Annual Report for 2017. I am pleased to report a solid year of performance across the business, delivering strong financial results for our securityholders and excellent returns for investors in our external funds.

Distributable earnings of \$45.3 million exceeded our prospectus guidance of \$40.2 million for FY2017, a strong result in our first year as an ASX listed entity. Reflecting a payout ratio of 84%, a total distribution of 6.32 cents per security will be paid in relation to the financial year, in line with guidance. This delivered a distribution yield of 8.2%¹ to our securityholders.

A strong balance sheet supporting future growth

Propertylink maintains a robust balance sheet, supported by solid cash generation across our business and effective capital management. We have reduced our gearing from 35% at the time of listing on the ASX to 30.5% at 30 June 2017. This is at the low end of our 30-40% target range and positions us well for future growth across our wholly owned industrial portfolio and provides capacity for continued co-investment in current and future external funds.

Active asset management and a disciplined approach to transactions

Throughout the year, we have maintained a disciplined approach to the acquisition and divestment of assets and have continued to focus on the delivery of our active asset management strategy.

Across our wholly owned industrial portfolio, we achieved excellent outcomes driven by strong leasing activity, asset development and repositioning and targeted capital expenditure. The great work delivered by our in-house asset and property management team delivered significant shareholder value with an uplift on asset valuations in the year of \$37 million, increasing NTA by 6 cents per security. The strategic divestment of non-core assets from the industrial portfolio realised proceeds of \$49 million, over book value by \$6 million.

1. Distribution yield calculated using PLG share price at 30 June 2017 of \$0.845, and annualised based on 11 months of earnings in accordance with PDS forecast.

Competitive market conditions for Australian industrial and office real estate, particularly in Sydney, saw strong growth in asset prices throughout the financial year. Recognising the importance of sustainable economic performance for the benefit of securityholders and external fund investors, Propertylink has maintained a disciplined approach to the acquisition of assets in the current market. While not achieving growth targets established in our prospectus for the investment management business, good acquisition opportunities continue to be identified by our team, delivering growth of \$500 million in funds under management during the year.

Board renewal to support our strategic direction

A key area of focus for the Board following listing on the ASX has been to review the size and composition of the Board to ensure that we have the right capabilities and experience to support the strategic direction of Propertylink. In working towards this, an independent review of the Board was undertaken this year. We have made significant progress in the implementation of recommendations from this review, announcing a number of changes to the Board.

In July 2017, we welcomed Sarah Kenny to the Board as a Non-Executive Director and member of the Audit and Risk Committee. Sarah has extensive experience in commercial law with a legal career spanning 30 years, having served as a partner of Herbert Smith Freehills for 20 years. Sarah brings significant competencies in the areas of governance, compliance, risk and commercial law to complement the existing capabilities of our Board members, with experience as a key advisor to senior management and Boards. She is currently the Vice Chairman and director of Australian Sailing.

During the year, David Epper resigned from the Propertylink Board. Over a period of significant growth and change for the organisation, David provided a valuable contribution to Propertylink. The Board and leadership benefited from his strong business and management background and we wish him all the very best for his future.

In July 2017, we announced further changes, with Peter McDonald stepping down from the Board and Stephen Day remaining as an Executive Director, however stepping down from the role of Vice Chairman. Peter's departure from the Board provides him with greater capacity to drive and support future growth of the business as he assumes the role of Chief Investment Officer. On behalf of my fellow Directors I thank Peter for his outstanding contribution to the Board over the last three years.

Stephen Day has permanently transitioned to a part-time working arrangement with his ongoing role as Executive Director focussed on wholesale capital relationships to support growth of the investment management business and the assessment and implementation of growth strategies across the Group. Having played an integral role in the growth and success of Propertylink I look forward to his important ongoing contribution in supporting the future growth of the company and thank him for his support in the role of Vice Chairman.

A strong governance framework

Ensuring we have a strong governance framework in place that supports the achievement of our strategic objectives is critical to our future success. Over the course of the year, we have continued to strengthen our governance framework, completing a number of key initiatives, with particular focus on regulatory compliance across the organisation.

I am confident that we have a framework in place that achieves and maintains a high standard of corporate governance and supports the strategic objectives of Propertylink. You can read more about our corporate governance framework on our website propertylink.com.au/about/corporate-governance.

An evolving sustainability strategy

As part of our commitment to excellence in the ownership and management of real estate assets, we have continued to develop our sustainability framework. We recognise that sustainability, with environmental, social and governance dimensions, will support our objective of delivering value to our securityholders, now and in the future.

Our strategic approach to sustainability focusses on three core objectives to:

1. Enhance the properties we own and manage.
2. Invest responsibly.
3. Maintain a thriving team of people.

Over the course of the year, we have focussed on enhancing our sustainability framework and strategy and ensuring we have the systems and processes in place to measure and benchmark our performance. Most significantly, we initiated our participation in the Global Real Estate Sustainability Benchmark (GRESB), which will form a baseline for measuring the success of our future initiatives as well as our performance relative to our peers.

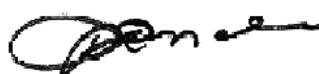
Over the coming year, we will continue to deliver key components of our sustainability strategy and will launch our first stand-alone sustainability report, providing greater visibility of our approach to sustainability to our stakeholders. You can read more about our sustainability focus on page 21 of this Annual Report.

Conclusion

Strong performance this year has been delivered through the commitment of a talented team. On behalf of the Board, I would like to thank the employees of Propertylink for their hard work over the course of what has been an exciting year for the Group.

I would also like to take this opportunity to thank our investors for their support during our initial listing and throughout our first year as an ASX listed entity.

The Board and I look forward to continued strong financial and operational results across Propertylink in the coming year.



Peter Lancken
Chairman



Stuart Dawes
Managing Director and CEO

CEO's Report

I am very pleased to present strong financial and operational results for FY2017 across both our wholly owned industrial portfolio and investment management business.

We have delivered statutory profit of \$87.2 million and distributable earnings of \$45.3 million, ahead of the forecast we set out in our prospectus in August 2016. Our total distribution of \$38.1 million will deliver 6.32 cents per security for FY2017, consistent with guidance.

Our revenue is generated across a range of sources with a high proportion of recurring revenue providing a stable base which underpins future earnings. During FY2017, 72% of our revenue was delivered from \$43.5 million of net rental income generated by our wholly owned industrial portfolio. With a diverse tenant base across the portfolio, this provides us with a sustainable source of revenue with strong cash generation.

Our investment management business delivered revenue of \$12.0 million, of which \$9.3 million was recurring in nature through the delivery of investment and property management services. Propertylink's co-investments in our external funds delivered \$4.7 million in distributable earnings during FY2017.

Cash flow from operating activities was \$42 million during the period, with a further \$49 million in cash generated from the sale of our non-core assets. We undertook capital expenditure of \$18 million largely in relation to the upgrade and enhancement of our industrial portfolio and most significantly the \$12 million development of 122 Newton Road, Wetherill Park, NSW.

Drawn debt at 30 June 2017 was \$257 million with gearing at 30.5%, down from 35% at the time of listing on the ASX. At year end our weighted average debt expiry is 3.1 years with \$58 million in available cash and undrawn debt facilities supporting future growth and investment opportunities.

Active asset management delivering value

We delivered strong value across our wholly owned industrial portfolio during the year through our active asset management approach. The performance of our portfolio is evidence of our active approach combined with our exposure to the key strategic themes of urbanisation, last mile logistics, aging population and technology.

During the year, we completed new leases on 179,101 sqm or 37% of the total portfolio. This delivered excellent results with WALE increased to 4.4 years, occupancy at 97% and lease expiry for FY2018 reduced to 10%¹. Key metrics across the portfolio have exceeded the targets we established in our prospectus and reflect our ability to maximise the income from our portfolio through the delivery of strong asset and property management services by our in-house team. Tenant demand for our assets remains strong, and the management of our tenant relationships drives clear value.

We completed the redevelopment of our property at 122 Newton Road, Wetherill Park in June 2017, delivering a new

1. After excluding 150-156 McCredie Road, Smithfield sold in July 2017.

8,684 sqm warehouse on surplus land on the site and the refurbishment of the existing 9,376 sqm warehouse. Both buildings are fully leased, with an average lease term of 6.5 years contributing to improved WALE across our portfolio. This project showcases the in-house project management and development capabilities of our team and has been a great success for Propertylink.

As a result of active management of our portfolio, asset valuations resulted in an uplift on book values of \$37 million during the year, with the weighted average capitalisation rate across the portfolio down by 43 basis points to 7.22%.

The sale of non-core assets achieved strong premiums to book value and provided us with \$49 million in capital for redeployment to other opportunities, most notably the increase in co-investments across our external funds.

Strong performance in external funds

Outstanding results were achieved across our external funds, further contributing to our track record of delivering strong returns to our investors.

Recognising the strength of the industrial and office markets in Sydney and Melbourne, a number of divestments occurred across our external funds during the year. This achieved outstanding outcomes for investors with an average total return of 29% delivered across divested assets. Further, performance fees of \$18.5 million were generated in relation to contracts exchanged for sale in June 2017 that will be recognised during FY2018.

During the year, we saw ongoing strong competition for industrial and office assets across the eastern seaboard of Australia, driving up prices. Despite this, we continued to identify good acquisition opportunities in the market, acquiring \$500 million of assets across a number of our external funds. This included the \$142 million acquisition of nine industrial and office assets, establishing the new diversified Propertylink Enhanced Partnership (PEP) fund with Goldman Sachs. Further expanding this new fund during the year was the \$145 million acquisition of an office asset at 50 Ann Street, Brisbane on a yield of 8.2%.

Aligning our interests with investors, we continued to co-invest in external funds throughout the year. Our average co-investment at 30 June 2017 was 11.1%, and total co-investments of \$63 million reflects an increase of \$39 million during the year, largely due to Propertylink's 25% interest in the PEP fund.

Strong demand across Australian industrial and office markets

There continues to be a weight of institutional capital seeking exposure to the Australian industrial and office property markets due to attractive yields and strong total returns, which will support the ongoing growth of our investment management business. For investors, we remain a strong local partner with deep expertise in the Australian property market.

Our ability to deliver value through the cycle is based on our top down and bottom up approach to the acquisition and management of our assets. We remain highly active in the market, leveraging off our strong and well established relationships and our ability to add value through our ground up approach to active asset management. This enables us to focus on sectors of the market where asset pricing is not extended, providing a point of differentiation in the current environment.

Front of mind in everything we do, is our ongoing commitment to achieving outstanding returns for our investment partners which, given the weight of capital seeking to invest in Australia, requires a disciplined approach to the acquisition of assets, critical in the current market environment.

Outlook

We are well positioned for growth in our investment management business which, combined with ongoing strong performance across our industrial portfolio, is expected to deliver earnings growth during FY2018.

As a result, we expect to deliver distributable earnings of 8.5-8.7 cents per security in FY2018, an increase of 12-14% over the prior year. We continue our intention to distribute 80% to 100% of distributable earnings to our securityholders and expect a distribution of 7.1-7.3 cents per security for FY2018.

Throughout FY2018 and into the future, we will continue to focus on the delivery of sustainable returns to our securityholders and ongoing growth, both organically and through acquisition opportunities.

FY2017 was an exciting year for Propertylink, with our team delivering great results across all parts of our business. My sincere thanks to our people for their hard work and their dedication to achieving this success.

We look forward to continuing to deliver strong performance for investors in our external funds and Propertylink's securityholders over the coming year.



Stuart Dawes

Managing Director and CEO

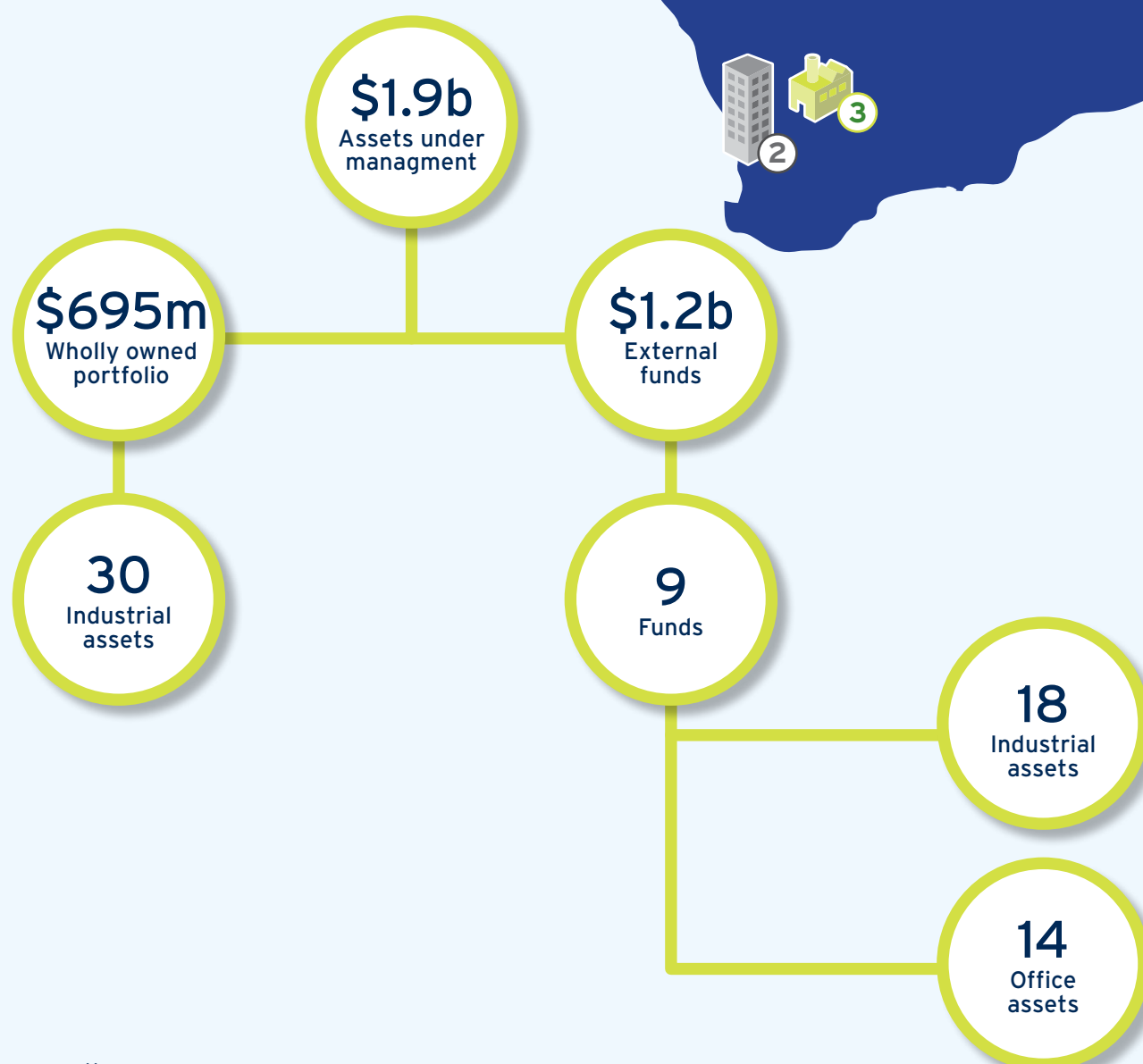
About Propertylink

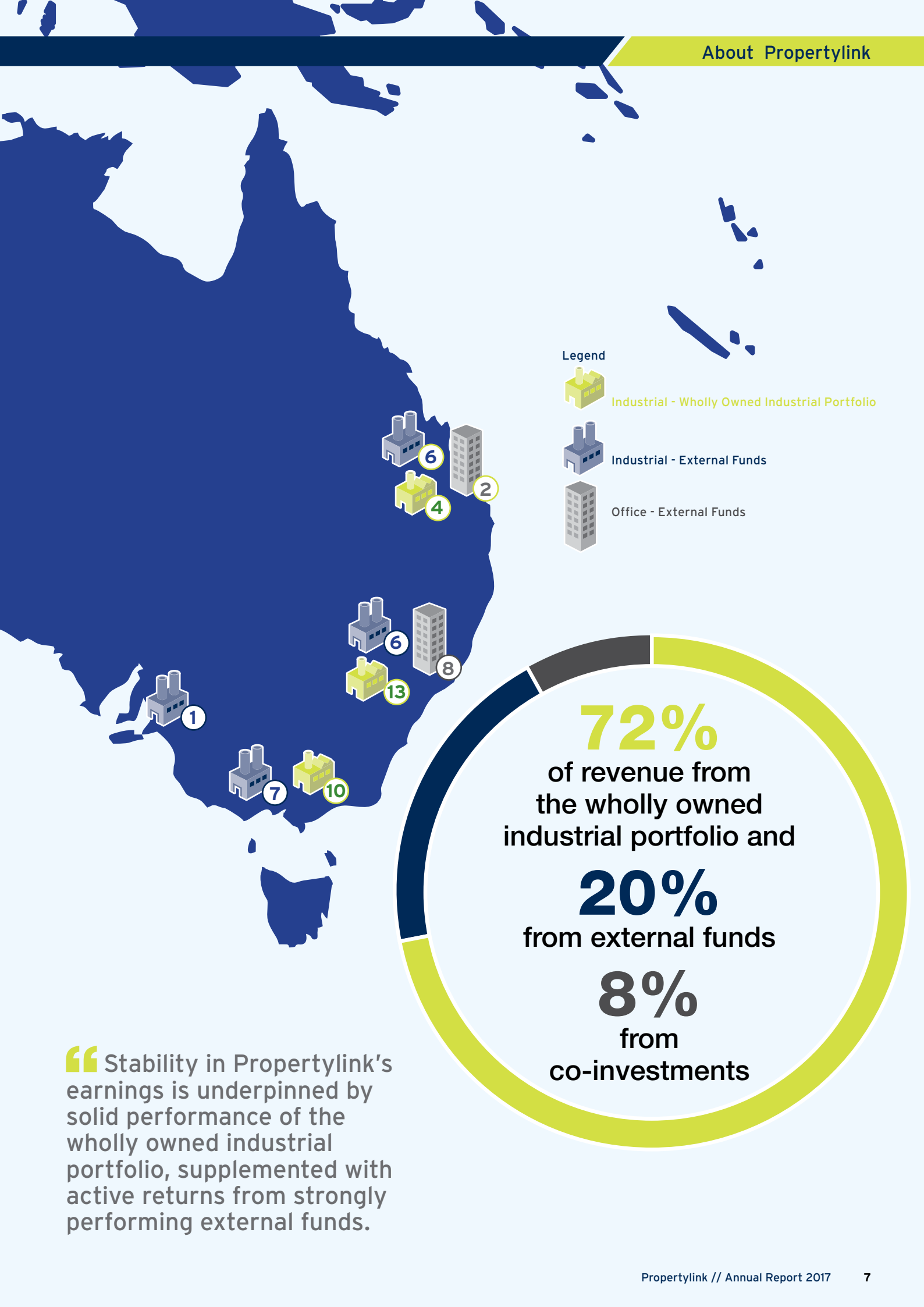
Propertylink is listed on the Australian Securities Exchange (ASX:PLG) and is a constituent of the S&P/ASX 300 index. We are an internally managed Australian Real Estate Investment Trust (A-REIT) specialising in Australian industrial and office investments with over \$1.9 billion of assets under management.

Propertylink wholly owns a \$695 million portfolio of industrial properties, primarily concentrated on the eastern seaboard of Australia, with 82% of the portfolio located in the core markets of Sydney and Melbourne. In FY2017, 72% of Group revenue was generated from the industrial portfolio, providing investors with a stable base of recurring rental income.

We manage approximately \$1.2 billion in industrial and office assets across nine external funds on behalf of global institutional investors which in FY2017 contributed 20% of Group revenue. Revenue is generated through management fees, transaction fees and performance fees arising where the realised returns on external funds exceed predetermined investment hurdles.

Further, Propertylink co-invests alongside its external fund investors, providing alignment of interests and an ability to share in the risks and returns offered by the external funds. In FY2017, 8% of Group revenue was generated through income from co-investments.





“ Stability in Propertylink’s earnings is underpinned by solid performance of the wholly owned industrial portfolio, supplemented with active returns from strongly performing external funds.

Our Strategy

Propertylink's objective is to provide securityholders with superior risk adjusted returns by investing in the wholly owned industrial portfolio and co-investing in external funds alongside our leading global investors whilst seeking growth opportunities across both sides of the business.

Across our wholly owned industrial portfolio and through investment in external funds, we own assets in the core, core-plus and value-add sectors with a bias to Australia's east coast. We aim to deliver stable income producing assets in strong locations, with good tenants and diverse lease terms.

At the core of our business is a focus on acquiring assets where our strong active asset management approach provides the opportunity to deliver value. The ability to identify potential value and work from the ground up across all disciplines to deliver that value is what differentiates us in the market.

Our core strategies are to:



Invest

Invest in a portfolio of industrial properties in the major Australian markets that provide a stable and diversified earnings profile with potential income and capital growth. Co-invest in external funds, maintaining a target 5-25% share of equity and providing alignment of interests with global institutional investors along with the ability to share in the returns offered by the funds.



Enhance

Enhance the portfolio of assets owned and held in external funds through active asset management. Leveraging Propertylink's expertise as a skilled active manager of real estate, this is delivered through acquisitions, asset repositioning, targeted capital expenditure, development and divestments.



Grow

Grow the investment management business by expanding existing funds, securing new investment mandates, expanding our investment network and establishing new external funds while continuing to grow our wholly owned industrial portfolio to maintain a stable and diverse earnings profile.



Maintain

Maintain a conservative capital structure across our balance sheet and external funds with a target balance sheet gearing range of 30% to 40%.

As an overlay to our strategy, we have identified longer term market trends that have the capacity to positively effect the value of our assets and our income from these assets. Our focus is on four key strategic themes to drive medium to long-term value for our securityholders and investors in our external funds, with our active asset management approach remaining at the forefront of our strategy.

Active Asset Management

Enhancing the portfolio through the delivery of strong active asset management capabilities providing unique opportunities to drive value

Market trend				
	Urbanisation	Last mile logistics	Aging population	Technology
	Long-term view to reposition existing commercial or industrial sites for alternate use, based on urbanisation trends and requirements	Focussed on in-fill locations with easy access to CBD and key residential areas to facilitate final stage of e-commerce supply chain	Ongoing demand for medical-related facilities and services, occupying office and industrial space, providing treatment and care for increased aging population	Utilising technology to drive greater efficiencies in existing real estate plus the development of new sectors driven by growth in the technology and communications industry

Propertylink considers that these strategic themes will have an impact on the real estate that we own and manage. Therefore, we will continue to monitor these themes to ensure that the strategies we are implementing on each asset are positioned for optimal returns. Furthermore, we will continue to investigate new investment strategies that will benefit from these themes, providing the opportunity for growth in both our wholly owned industrial portfolio and our investment management business.





Thinking Property

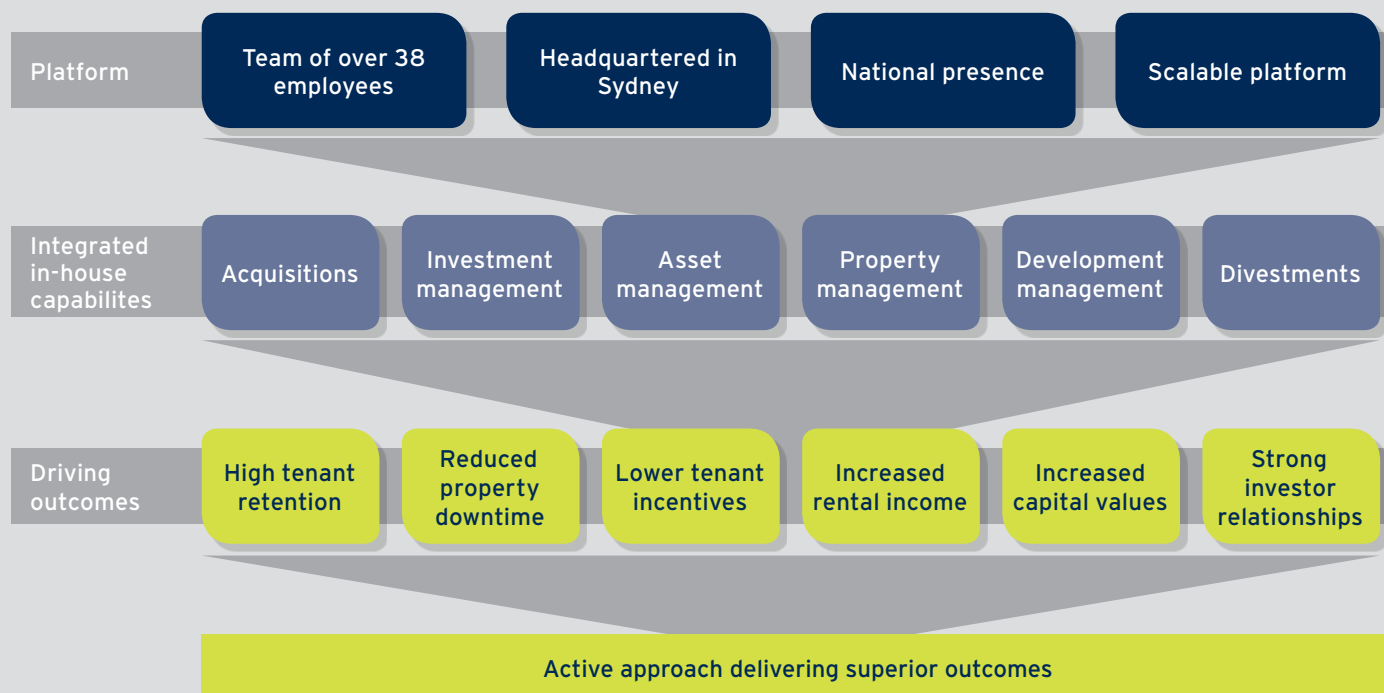
Our fully integrated business model is delivered by a strong and experienced team with capabilities across all phases of the property lifecycle, from the identification of investment opportunities, through active asset management and ultimately divestment. Vertical integration of capabilities across the business provides us with the strong ability to actively manage assets to deliver superior risk adjusted returns.

Our people leverage long-standing industry relationships to identify both on-market and off-market acquisition opportunities and maintain a strong reputation for efficiency in transactions. This reputation provides us with a strong pipeline of opportunities to acquire properties and great visibility over current market conditions, important also during the divestment process.

Differentiating us in the market is our in-house property management team who foster and maintain strong direct tenant relationships and are highly focussed on the quality of the properties within their portfolio. Our ability to anticipate and proactively manage tenant requirements continues to mitigate risk across the portfolio and drives superior leasing outcomes.

“ Our active asset management capability provides us with unique opportunities to drive value from real estate investment and deliver superior returns on property investment.

Integrated in-house active asset management



Board of Directors



Peter Lancken
Chairman

Member of Remuneration & Nomination Committee

Peter joined the Propertylink Board in May 2000.

Peter has a career spanning over 25 years in a range of executive and director roles in equipment hire, industrial, and real estate companies.

He was formerly the Managing Director and Non-Executive Chairman of Kennards Hire Pty Limited. Peter managed an era of growth spanning two decades at Kennards, with sales now exceeding \$380 million from a network of over 170 locations, and remains on the Board as a Non-Executive Director. Peter was the Deputy Chairman and Non-Executive Director of CMA Corporation Limited, a public company listed on the ASX.

Peter is also a Non-Executive Director of Acrow Formwork and Scaffolding Pty Ltd and is the Non-Executive Chairman of Crimestoppers NSW.

Peter holds a Bachelor of Engineering (Civil) from the University of New South Wales, is a Fellow of the Institute of Engineers Australia and is a member of the Australian Institute of Company Directors.



Stuart Dawes
Managing Director and CEO

Stuart joined the Propertylink Board in 2016.

Stuart has over 18 years' experience in the office, industrial and retail sectors through executive roles in investment management, asset management and investment banking across both Australia and Europe.

As Chief Executive Officer, Stuart is responsible for all aspects of Propertylink, with a strong focus on leading the strategic direction of the Group.

Prior to being appointed Chief Executive Officer, Stuart was Propertylink's Chief Operating Officer, in addition to his role as Head of Investment Management.

Stuart has been directly responsible for capital raising from global wholesale investors into the funds and mandates that Propertylink has created. Under Stuart's leadership, the PLG investment management business has grown from \$36 million to over \$1.9 billion in assets under management in 5 years.

Stuart holds a Bachelor of Commerce from the University of Western Sydney and a Master of Applied Finance from Macquarie University.



Stephen Day
Executive Director

Stephen joined the Propertylink Board in June 2011.

Stephen has a career spanning over 32 years in the property industry in a variety of executive roles in Australia and overseas. Stephen is currently an Executive Director of Propertylink, a role in which he is responsible for establishing and maintaining wholesale investor relationships, leading merger and acquisition activities and supporting the business in the assessment and implementation of investment strategies.

Stephen was formerly the Managing Director of PHL, where he was responsible for the strategic direction and day to day leadership of PHL until 2016. Stephen's early property career included 10 years at Lend Lease Corporation, after which he was the founder of Valad Property Group in 1995. In 2009, he founded Echo Capital, which merged with Propertylink in 2011.

Stephen holds a Bachelor of Economics from Macquarie University, is a fellow of the Royal Institute of Chartered Surveyors (FRICS), sits on the Australian Chapter Board of the Asia Pacific Real Estate Association (APREA) and is a Fellow of the Australian Property Institute (API).



Ian Hutchinson
Non-Executive Director
Chairman of Audit & Risk Committee

Ian joined the Propertylink Board in March 2013.

Ian has been a professional non-executive company director for over 20 years and was formerly the Chairman and Senior Partner of one of Australia's largest law firms, Freehills (now Herbert Smith Freehills).

Ian was the Representative of Lloyds of London Underwriters, appointed under the Australian Insurance Act, and Counsel for Lloyds Australia.

He has been the Chairman or a director of companies, both listed on the Australian Securities Exchange (ASX) and non-listed companies, across a broad range of industries and services, including investment banking, financial services, life and general insurance, mining and energy, property, transport, hotels, infrastructure and health.

Ian is Chairman and President of the Global Sustainability Foundation in New York. He is also the Chair of Pacific Opera Company Limited, which works alongside Opera Australia to train young opera singers.

Ian holds a Bachelor of Laws and is a Fellow of the Australian Institute of Company Directors. Ian is actively involved in the Australian Institute of Company Directors and gives presentations to company directors and assists in training and mentoring directors.


Derek Nix

Non-Executive Director

Member of Remuneration & Nomination Committee

Derek joined the Propertylink Board in August 2011.

Derek is the Managing Director and Principal of Nix Anderson Pty Ltd, a construction project management and property advisory firm working principally in the social infrastructure, commercial, industrial, health and retail sectors. Nix Anderson's clients include Heathscope, LGS, Aventus, Health Infrastructure, Vicinity, Stockland, Charter Hall and other industry leaders.

Derek has over 35 years' experience in the construction and property industry. Initially with Concrete Constructions Group Limited, where he was a Project Manager, he later moved to the Reed Group Pty Ltd where, for over 17 years, he covered roles from Commercial Manager and Chief Estimator to Project Manager, becoming a Director in 1988 before leaving and forming Nix Management in 1999. In 2014, Nix Management merged with industry leading infrastructure delivery expert Scott Anderson to become Nix Anderson Pty Ltd.

Derek holds a Bachelor of Building (Hons) from the University of Technology (Sydney) and is a member of the Property Council of Australia.


Christopher Ryan

Non-Executive Director

Chairman of Remuneration & Nomination Committee

Member of Audit & Risk Committee

Chris joined the Propertylink Board in May 2000.

Chris is an Executive Director of Investorlink Group Limited, a Sydney based corporate finance and advisory firm. Chris has diverse experience and expertise in mergers and acquisitions, together with initial public offerings, having advised on ASX listings since 1986.

Chris is currently a Non-Executive Director of ASX listed companies TTG Fintech Limited, eCargo Holdings Limited, 99 Wuxian Limited and Retech Technology Co. Ltd.

Chris holds a Bachelor of Financial Administration from the University of New England and is a Fellow of the Institute of Chartered Accountants in Australia.


Anthony Ryan

Non-Executive Director

Member of Audit & Risk Committee

Anthony joined the Propertylink Board in 2016.

Anthony is a real estate finance professional with over 20 years' experience in Australia and Asia spanning real estate corporate, project and structured finance. Anthony is a former Managing Director of JPMorgan and was JPMorgan's Head of Real Estate Investment Banking for Asia.

Anthony is also real estate consultant to OCP Asia, an alternative asset manager based in Hong Kong and an independent member of the Propertylink Australia Industrial Partnership II (PAIP II) Investment Committee.

Anthony holds a Bachelor of Commerce from the University of New South Wales.


Sarah Kenny

Non-Executive Director

Member of Audit & Risk Committee

Sarah Kenny joined the Propertylink Board in July 2017.

Sarah has extensive experience in commercial law with a legal career spanning 30 years, having served as a partner of Herbert Smith Freehills for 20 years. She has specialist expertise across regulated industries, including financial services and in technology, media, outsourcing, intellectual property, gaming, sport and sport infrastructure.

With extensive experience as a key advisor to senior management and boards, she has also held a number of board positions in the not-for-profit sector.

Sarah is currently the Vice President and Director of Australian Sailing and an Ambassador of The Helmsman Project outdoor adventure charity.

Sarah holds a Bachelor of Law (Honours) from the University of Sydney and is a graduate of the Australian Institute of Company Directors.

The Executive Team



Stuart Dawes

Managing Director and CEO

Stuart has over 18 years' experience in the property industry in a variety of executive roles. He was formerly Propertylink's Chief Operating Officer, having joined the company as Head of Investment Management in 2009.

As Chief Operating Officer and Head of Investment Management, Stuart was responsible for the oversight of the operations of the Propertylink Group in addition to leading PHL's investment management business. Under Stuart's leadership, the PHL investment management business has grown from \$36 million to over \$1.9 billion in assets under management.

Prior to joining Propertylink, Stuart worked in the United Kingdom for Lend Lease Investment Management. Before moving to the United Kingdom in 2003, Stuart worked with Lend Lease's Australian wholesale fund, Australian Prime Property Fund.

Stuart also has experience with Barclays Capital in its European structured finance business, where he concentrated on debt and equity transactions within Europe.

Stuart holds a Bachelor of Commerce from the University of Western Sydney and a Master of Applied Finance from Macquarie University.



Stephen Day

Executive Director

Stephen has a career spanning over 32 years in the property industry in a variety of executive roles in Australia and overseas. Stephen is currently Executive Director of Propertylink, a role in which he is responsible for establishing and maintaining wholesale investor relationships, leading merger and acquisition activities and supporting the business in the assessment and implementation of investment strategies.

Stephen was formerly the Managing Director of PHL, where he was responsible for the strategic direction and day to day leadership of PHL until 2016. Stephen's early property career included 10 years at Lend Lease Corporation, after which he was founder of Valad Property Group in 1995. In 2009, he founded Echo Capital which merged with Propertylink in 2011.

Stephen holds a Bachelor of Economics from Macquarie University. Stephen is a fellow of the Royal Institute of Chartered Surveyors (FRICS), sits on the Australian Chapter Board of the Asia Pacific Real Estate Association (APREA) and is a Fellow of the Australian Property Institute (API).



Peter McDonald

Chief Investment Officer

Peter has 28 years of property market experience across the industrial and office sectors within Australia.

As Chief Investment Officer, Peter is responsible for the Group's property investments, the performance of all assets and the management of the Property and Investment Management teams. Peter supports the growth of the investment management business through new joint venture and capital partner relationships on direct property opportunities.

Prior to his role at Propertylink, Peter held senior roles with Jones Lang LaSalle, Lend Lease, Dexu and Valad and has a long track record in concluding major acquisitions and leasing transactions.

Peter holds an Associate Diploma in Business (Valuation), is a licensed real estate agent and was a long term member of the Property Council of Australia's Industrial Committee.



Tony Groth
Chief Financial Officer

Tony joined Propertylink in July 2015 as Chief Financial Officer, following Propertylink's decision to internalise outsourced administration and accounting services. Prior to joining Propertylink, Tony spent 8 years as Chief Operating Officer of Investorlink Group, where, among other tasks, he carried prime responsibility for the provision of services to Propertylink.

Tony was a business services partner with the Sydney office of Grant Thornton from 1983 to 1999, and has more than 30 years' experience in the financial services industry. Between 2000 and 2007, Tony managed a polystyrene manufacturing business, helping build it from a start-up to a prominent market share position in both the Sydney and Melbourne markets.

Tony is Treasurer and Non-Executive Director of Oatlands Golf Club Limited, and a Fellow of the Institute of Chartered Accountants in Australia.



Rebekah Hourigan
Company Secretary

With over 12 years' experience in company secretarial and compliance roles, Rebekah leads the operational compliance and governance functions at Propertylink.

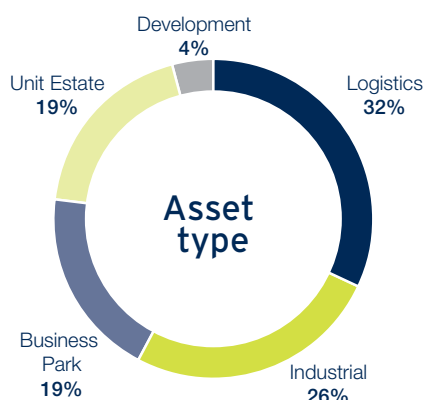
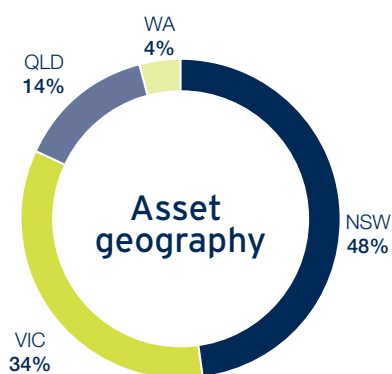
Rebekah commenced her legal career with leading national litigation firms prior to moving in-house with Swiss Reinsurance Company and most recently the Charter Hall Group in company secretary, compliance, and legal counsel roles.

Rebekah is admitted to practice as a lawyer in NSW, holds a Master of Law from the University of New South Wales and a Bachelor of Science from the University of Sydney. Rebekah is also a Fellow of the Australian and New Zealand Institute of Insurance and Finance.

Wholly Owned Industrial Portfolio

Key Portfolio Statistics

Portfolio value	\$695 million
Number of properties	30 properties
Gross lettable area	481,164 sqm
Number of tenants	169
Occupancy	97%
Weighed Average Lease Expiry (WALE)	4.4 years
Weighted Average Capitalisation Rate (WACR)	7.22%



The wholly owned property portfolio comprises a diverse set of industrial assets heavily exposed to east coast infill locations with limited land supply and strong demand. Propertylink's primary objective is to generate stable income and strong total returns from the portfolio, with the properties being predominantly prime quality assets. The portfolio also includes properties with capacity for repositioning and capital recycling, with a number of assets exposed to benefits from upgrades to surrounding infrastructure and upside through medium to long-term alternative use.

Key achievements

Propertylink continued to strengthen the industrial portfolio during the year through active asset management underpinned by the portfolio's exposure to the key strategic themes of urbanisation, last mile logistics, aging population and technology.

- An increase in WALE to 4.4 years from 3.6 years
- Increased occupancy to 97% from 95%
- A reduction in lease expiry for FY2018 to 10%
- Uplift in portfolio valuations of \$37 million

- Realisation of \$49 million and a \$6 million premium to book value on divestment of non-core assets providing capital for new investment in the business

Leasing success

Over 179,101 sqm or 37% of the industrial portfolio was transacted on since the IPO, delivering strong results from leasing activity delivered by our strong in-house property and asset management team.

- 58 lease transactions completed including 21 renewals and 37 new leases
- 78% retention rate on renewals
- Average downtime of 5.0 months on new leasing deals
- Incentives of 6.8% on renewals and 14.6% on new leases

Development activity

Taking advantage of opportunities to enhance the value of properties within the portfolio, Propertylink undertakes selective development activity in order to maximise returns and enhance asset quality, in FY2017 completing the expansion and repositioning of 122 Newton Road, Wetherill Park.



Leasing case study:

71-93 Whiteside Road & 74-84 Main Road, Clayton VIC



- 15 year lease term
- 38% increase in asset value

During FY2017, Propertylink secured a new 15 year lease at Clayton South, Victoria to the Walkinshaw Automotive Group, an iconic presence in Australian motorsport and a global leader in the design, engineering, development and marketing of performance vehicles. Further, by extending the lease term of the incumbent tenant, the asset and property management team avoided a potential 5.6% portfolio vacancy and achieved zero downtime on this 25,195 sqm property, providing long-term income security.

Divestment case study:

10-12 Pike Street, Rydalmere NSW



- Proceeds of \$27.5 million
- Sale price 26% premium to book value

The Rydalmere industrial precinct is expected to undergo transformation in the short to medium term, from industrial to business park type use. Propertylink realised the potential future value of our Rydalmere asset, selling the property to a private group for their specialised use. The sale represented a premium of 26% to book value and generated proceeds of \$27.5 million for redeployment to other investment opportunities.

Development case study:

122 Newton Road, Wetherill Park NSW



- 7.1% yield on cost
- Average lease term 6.5 years

Identifying an opportunity to significantly improve the asset quality and create prime quality stock in the strong Sydney market, Propertylink repositioned and expanded this warehouse facility in Wetherill Park. The development of a new 8,684 sqm warehouse on surplus land at the rear of the property along with the refurbishment of the 9,376 sqm existing warehouse was completed, utilising our in-house project management capability. New leases were executed on both buildings, delivering a weighted average lease term of 6.5 years.

Investment Management

Propertylink's investment management business focusses on institutional investment grade Australian property, primarily across the industrial and office sectors. We provide investors in our external funds with a fully integrated platform with capabilities in the ownership and active management of these assets.

Highlights

An average total return of

21%

achieved since establishment of the external funds¹

Delivered

\$4.7 million

to distributable earnings through co-investments in FY2017

New investments of

\$500 million

during FY2017

An average total return of **29%** on assets divested during the year across **\$87 million** of asset sales

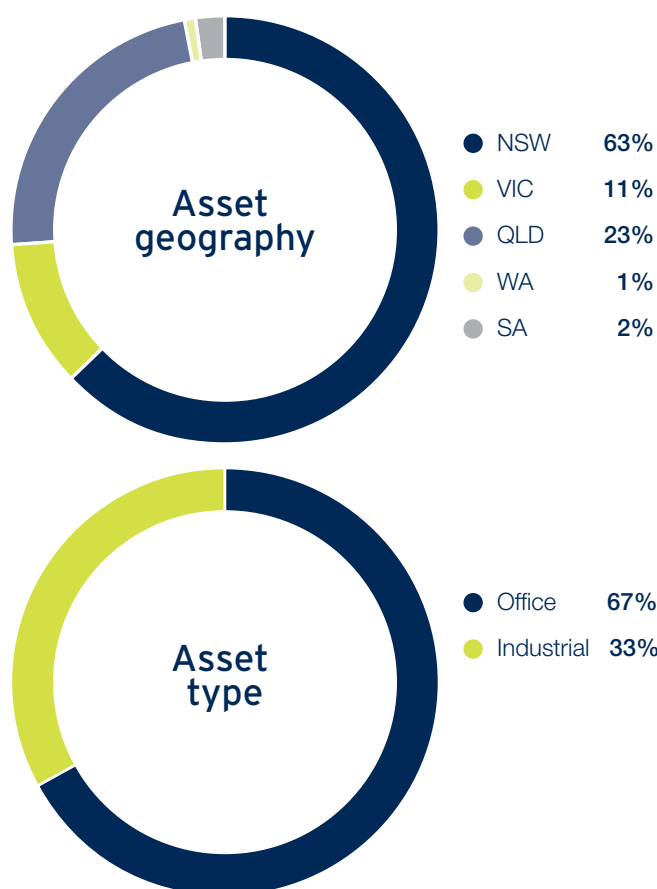
External funds

External Funds at 30 June 2017					
\$1,214m AUM	9 external funds		32 assets	11.1% average co-investment	
Industrial \$414m AUM	PAIP II	SEDCO Mandate	Confidential Mandate	M&G Mandate	Propertylink Enhanced Partnership (PEP)
	<ul style="list-style-type: none"> 13 assets AUM \$252m 4% co-investment 	<ul style="list-style-type: none"> 1 asset AUM \$29m 7.5% co-investment 	<ul style="list-style-type: none"> 1 asset AUM \$48m 10.0% co-investment 	<ul style="list-style-type: none"> 2 assets AUM \$85m Management only mandate 	<ul style="list-style-type: none"> Diversified portfolio 9 assets AUM \$306m 25% co-investment
Office \$494m AUM	POP I	POP II	POP III	The Gantry Investment Trust	
	<ul style="list-style-type: none"> 1 asset AUM \$130m 5.0% co-investment 	<ul style="list-style-type: none"> 1 asset AUM \$246m 5.0% co-investment 	<ul style="list-style-type: none"> 3 assets AUM \$109m 11.0% co-investment 	<ul style="list-style-type: none"> 1 asset AUM \$9m 	

1. Weighted average total return across external funds excluding PAIP II and 50 Ann Street, Brisbane (PEP) in the acquisition phase in FY2017.

Investment partners

The investment management business is supported by global institutional investors across North America, the Middle East, Asia and Australia. Propertylink's core principle is to co-invest with external fund investors, providing alignment of interests and the ability to share in the risks and returns offered by the external funds.



- WALE of **4.9 years**
- Occupancy at **91%**
- Weighted average capitalisation rate **7.27%** across industrial assets
- Weighted average capitalisation rate **7.28%** across office assets

Divestment case study: 320 Pitt Street, Sydney



- 40% IRR
- \$17.5 million performance fee

In June 2017 Propertylink announced the sale of 320 Pitt Street, Sydney for \$275 million, realising an IRR of 40% against a target of 15% for POP II, delivering a superior return to our external investors. The sale, which completed in July 2017, generated a performance fee of \$17.5 million to Propertylink. The building was acquired in June 2015 for \$200 million in partnership with Grosvenor Group and Goldman Sachs. Propertylink's ability to unlock existing Telstra lease options realised significant value, making the asset available for redevelopment opportunities and resulting in a strong sale price.

Acquisition case study: 205-231 Fairfield Road, Yennora



- 7 year lease to leading online fashion retailer The Iconic
- Emergence of last mile logistics property use

Representative of Propertylink's strategic approach to the acquisition of assets was the purchase in December 2016 of 205-213 Fairfield Road, Yennora for \$46.6 million on behalf of PAIP II. Propertylink successfully acquired the property in an off-market transaction, conditional on more favourable leasing arrangements which saw the incumbent tenant relocated and a new 7 year lease with leading online fashion retailer, The Iconic, executed prior to settlement. This A-grade industrial property is located in the greater Parramatta metropolitan area and is well exposed to the growing trend in online retail in Australia and the associated demand for large format logistics facilities close to Sydney's growing population.

Corporate Responsibility

Our People, Our Values

At Propertylink our people are our most valuable asset. The strong performance delivered in FY2017 reflects the quality, passion and commitment of our team. Our approach to corporate responsibility, while driven by our people, is shaped by the values which underpin the culture of Propertylink.



Integrity	we hold ourselves and others to a high standard
Respect	treating others in the way that we would expect to be treated ourselves
Discipline	a pragmatic, considered and practical approach to delivering sustainable outcomes
Collaboration	recognising that we achieve more together
Excellence	we take pride in seeking the best results for our stakeholders

Community Support

Community engagement is important to us and reflective of our corporate culture and values. We were pleased to support a number of charities throughout the year:



AIM for the Stars is a community of female and male champions who are passionate about supporting girls and women and encouraging them to aim for the stars. Propertylink provided financial support to the foundation to assist in the provision of scholarships to ambitious and dedicated young women across Australia, providing them with financial support, mentoring and inspiration to invest in their future and achieve their potential.



Propertylink proudly supported Autism Spectrum Australia, Australia's largest service provider for people on the autism spectrum. This service provides people on the autism spectrum with the opportunity to realise their unique potential, as well as providing much needed support to their families, carers, friends and colleagues.



Ardoch is a children's education charity focussed on improving educational outcomes for children and young people in disadvantaged communities. Propertylink staff participated in the Ardoch Youth Literacy Buddies Project, exchanging letters with a class of year 6 students in western Sydney with the goal of encouraging students to read and write and providing meaningful interactions with positive working adult role models.



Batting for Change assists the education of disadvantaged women in cricket-playing nations, this year raising money to support the education of over 600 disadvantaged women in India, Sri Lanka and Kenya. In support of the vision that education is the best way to empower disadvantaged young women, Propertylink proudly supported the foundation in its efforts to raise over \$150,000 this year.

Sustainability

Consistent with our commitment to excellence in real estate management, Propertylink is developing a program to address sustainability in its real estate portfolio and business. With sustainability, we seek to achieve enhanced returns and quality of service through maintaining strong relationships with our key stakeholders, actively managing short and longer-term environmental, social and governance risks and leveraging associated value-add opportunities.

We recognise that sustainability, with environmental, social and governance dimensions, is now integral to real estate ownership and investment management. It can realise benefits in many areas, from reduced investment and operational risks to improved business productivity, reduced operational costs and the enhanced tenant market competitiveness of properties.

Propertylink has launched a Sustainability Policy, as well as a Sustainability Strategy through to 2019 based on three core objectives.

Objective 1

Enhancing properties

Add value to our assets and improve the longevity of their performance through good sustainability practices in their development and management. Reduce our corporate environment footprint.

Objective 2

Investing responsibly

Manage environmental, social and governance risks to investment value and effectively communicate our performance.

Objective 3

Thriving team

Attract and retain the best employees, enable their development and maintain an engaged, healthy and productive work environment.

Over the last year we have:

1. Established an online environmental data management system for our portfolio of assets and corporate operations.
2. Benchmarked the environmental performance of most of our office portfolio with NABERS Energy.
3. Implemented various environmental improvement projects in our properties, such as LED lighting upgrades.
4. Participated for the first time in the Global Real Estate Sustainability Benchmark (GRESB) survey, a global investor-led survey to assess the environmental, social and governance (ESG) practices of real estate investment managers.
5. Established internal governance and management structures for sustainability.
6. Conducted internal training on sustainability issues to build our team's capability.

Our focus over the coming year will be to:

1. Launch our first sustainability report.
2. Build our performance in GRESB.
3. Resolve a plan and management system for asset environmental improvements, including expanded benchmarking with ratings, and accelerate implementation of initiatives.
4. Develop an enhanced employee engagement program.

Propertylink is a Member of the Green Building Council of Australia.



green building council australia
MEMBER

Propertylink Group

Financial Report for 2017

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Abbreviations used in this report

Propertylink Group or Propertylink	PHL Group, PAIP Group and PT Group consolidated
PHL	Propertylink (Holdings) Limited
PHL Group	Propertylink (Holdings) Limited and its controlled entities
PAIP	Propertylink Australian Industrial Partnership
PAIP Group	Propertylink Australian Industrial Partnership and its controlled entities
PT	Propertylink Trust
PT Group	Propertylink Trust and its controlled entities
IPO	The Initial Public Offering of the Propertylink Group
PDS	Initial Public Offering Prospectus and Product Disclosure Statement
\$	Australian dollars
\$b	Billions of Australian dollars
\$m	Millions of Australian dollars
ASX	ASX Limited or the markets it operates

Propertylink provides an operating and financial review for the year in the following section. In order to fully understand the results, readers should refer to the Propertylink Financial Statements.

Overview

Propertylink is an internally managed Australian Real Estate Investment Trust (A-REIT) specialising in Australian industrial and office investments. Propertylink has approximately \$1.9b of assets under management, directly owning \$695m of industrial properties and managing a portfolio of industrial and office assets of \$1.2b on behalf of global institutional investors. Further, Propertylink co-invests alongside its external fund investors, providing alignment of interests, and an ability to share in the risks and returns offered by the external funds.

On 15 August 2016 Propertylink became unconditionally listed on the ASX following the successful completion of an IPO. For more details about the IPO, please refer to page 29 of the Directors' Report.

Strategies

Propertylink's objective is to provide securityholders with superior risk adjusted returns by investing in the wholly owned property portfolio, growing the investment management business, and co-investing in external funds alongside leading global institutional investors.

Our key strategies are to:

- **Invest** in a portfolio of industrial properties in the major Australian markets that provide a stable and diversified earnings profile with potential income and capital growth. **Co-invest** in external funds, maintaining a target 5-25% share of equity, and providing alignment of interests with global institutional investors, along with the ability to share in the returns offered by the funds.
- **Enhance** the portfolio of assets, both directly owned and held in external funds, through active asset management. Leveraging our expertise as a skilled and active manager of real estate, this is delivered through acquisitions, asset repositioning, targeted capital expenditure, development and divestments.
- **Grow** the investment management business by growing existing funds, securing new investment mandates, expanding our investment network and establishing new external funds, while continuing to grow our wholly owned property portfolio to maintain a stable and diverse earnings profile.
- **Maintain** a conservative capital structure across our balance sheet and external funds with a target balance sheet gearing range of 30% to 40%.

Across our wholly owned property portfolio and through investments in external funds, we own assets in the core, core-plus and value-add sectors, with a bias to Australia's east coast. We aim to deliver stable income producing assets in strong locations, with good tenants and diverse lease terms. At the core of our business is a focus on acquiring assets where our strong active asset management approach provides the opportunity to deliver value.

As an overlay to our strategy we have identified longer term market trends that have the capacity to positively affect the value of our assets, and our income from these assets. Our focus is on four key market themes to drive medium to long term value for our securityholders and investors in our external funds, with our active asset management approach remaining at the forefront of our strategy:

- **Urbanisation:** Long-term view to reposition existing commercial or industrial sites for alternate use, based on urbanisation trends and requirements.
- **Last mile logistics:** Focused on in-fill locations with easy access to key commercial and residential areas to facilitate final stage of e-commerce supply chain.
- **Aging population:** Ongoing demand for medical-related facilities and services, occupying office and industrial space, providing treatment and care for increased aging population.
- **Technology:** Utilising technology to drive greater efficiencies in existing real estate plus the development of new sectors driven by growth in the technology and communications industry.

Operating result

The success of the IPO, thereby establishing Propertylink as a significant owner of industrial properties in major Australian markets, was the most significant event during the year ended 30 June 2017 (FY2017). As outlined in the Financial Statements, the total costs incurred to complete the IPO were \$24.200m. In accordance with Australian Accounting Standards, \$16.879m in costs have been charged to the Statement of Profit or Loss, and \$7.320m in costs have been capitalised as securities issue costs.

Total comprehensive income

Propertylink's total comprehensive income for FY2017 was \$87.213m. For the purposes of this review, comparative figures provided are drawn from the Initial Public Offering Prospectus and Product Disclosure Statement ("PDS") statutory forecast for FY2017 on page 139 of the PDS ("PDS forecast"). No commentary on Financial Statements comparative figures for FY2016 is provided in this review as those figures relate only the former unlisted Propertylink stapled group, excluding PAIP, so do not provide meaningful comparisons.

	30-Jun-2017 Actual \$'000	30-Jun-2017 PDS forecast \$'000
Rental income	55,955	55,906
Property related expenses	(11,957)	(11,207)
Straight-lining of rental income and rental expense	(451)	(1,015)
Net property income	43,547	43,684
Share of net profit of joint ventures	8,536	3,487
Investment management income	4,830	5,421
Property management fee income	4,502	3,963
Property acquisition fee income	2,662	3,452
Performance fee income	25,159	26,241
Gain on disposal of investment property	5,689	-
Fair value movements in investment property	27,834	-
Other income ¹	379	-
Total income	123,138	86,248
Operating expenses ²	(14,805)	(13,155)
IPO transaction costs	(16,879)	(17,557)
Depreciation	(2,285)	(2,317)
Operating EBIT	89,169	53,219
Finance costs ³	(9,983)	(9,055)
Net income before tax	79,186	44,164
Tax	(2,100)	(2,636)
Net income after tax	77,086	41,528
Fair value movements in property, plant and equipment	9,483	-
Fair value movements in cash flow hedges	644	-
Total comprehensive income	87,213	41,528

1 Other income includes IPO related loss on investment in PAIP of \$0.438m.

2 Operating expenses include IPO related staff bonus of \$1.250m.

3 Finance costs include IPO related write off of unamortised borrowing costs of \$1.555m.

The table highlights that:

- Rental property income was \$55.9m, in line with the PDS forecast, however the PDS forecast assumption was for an 11 month period post completion, whereas the IPO did not complete until unconditional listing on 15 August 2016, resulting in the inclusion of PAIP income for a period of 10.5 months
- Share of net profit of joint ventures of \$8.5m (inclusive of property value uplifts of \$3.8m) was well up on the PDS forecast of \$3.5m, due to a number of factors including above forecast returns on investments
- Investment management fees of \$4.8m were down on the PDS forecast of \$5.4m, due to lower than forecast growth in Assets Under Management ("AUM") in FY2017
- Property management fees of \$4.5m were up on the PDS forecast of \$4.0m
- Property acquisition fees of \$2.7m were down on the PDS forecast of \$3.5m, due to lower than forecast property acquisitions by external funds
- Performance fees of \$25.2m were generated from the exit of the former PAIP investment partners and as disclosed in the PDS these fees were for the benefit of pre-IPO securityholders
- Gains on disposal of investment properties realised income of \$5.7m, when none were forecast
- An increase in fair value of investment properties of \$27.8m and revaluation gains on property, plant and equipment of \$9.5m, when none were forecast
- Operating expenses include \$1.2m in IPO related staff bonuses funded from the PAIP performance fees, and additional STI accruals for FY2017 outperformance (refer to remuneration report for more details on FY2017 STI)
- IPO transaction costs of \$16.9m against PDS forecast of \$17.6m, however unamortised borrowing costs of \$1.6m written off at IPO were treated as finance costs in the accounts, but as IPO costs in the forecast
- Finance costs of \$10.0m includes the write off of unamortised borrowing costs, whereas the PDS forecast included this amount under IPO costs (refer to above note on IPO costs),

Adjusted total comprehensive income

As a result of the IPO in August 2016, total comprehensive income includes certain items of income and expenditure directly or indirectly related to the IPO. The objective of presenting the table below is to “normalise” total comprehensive income so that results can be seen without the effect of IPO related items of income and expenditure.

	30-Jun-2017 \$'000
Total comprehensive income	87,213
Adjustments for IPO and pre-IPO related income and expenses	
Deduct: Performance fees attributed to pre-IPO securityholders	(25,159)
Add: IPO related costs ¹	20,122
Add: Income tax expense attributable to performance fees and IPO costs	2,100
Adjusted total comprehensive income	84,276

¹ IPO related costs include IPO expenses, write off of unamortised borrowing costs, staff bonuses paid from performance fees and loss on sale of investment in PAIP.

Distributable earnings

Propertylink considers that distributable earnings, rather than total comprehensive income, is a measure that best reflects its financial performance. Total comprehensive income includes certain items that are non-cash, unrealised, or capital in nature, including fair value movements in assets and liabilities. Distributable earnings removes items of that nature from the total comprehensive income reported in the Financial Statements.

The table below reconciles from total comprehensive income, as adjusted for IPO related income and expenditure, to distributable earnings.

	30-Jun-2017 \$'000
Adjusted total comprehensive income	84,276
Remove non cash income and expenses	
Deduct: Property fair value adjustments	(37,317)
Deduct: Investments fair value adjustments	(3,829)
Deduct: Fair value movement on cash flow hedges	(644)
Add: Net adjustment for income and expense rent straight lining	187
Add: Amortisation of borrowing costs	318
Add: Depreciation and amortisation charges	2,285
Distributable earnings	45,276
Amount distributed on 3 March 2017	16,275
Amount to be distributed on 4 September 2017	21,821
Distributable income for FY2017	38,096
Payout ratio	84.15%
Distributable earnings per security, cents	7.51c
Distribution per security, cents	6.32c
Securities on issue	602,780,330

As noted on page 141 of the PDS, the forecast distributable earnings for the period from completion of the IPO until 30 June 2017 was \$40.2m, which translates to a forecast distributable earnings per security of 6.67c. The distributable earnings per security of 7.51c is 12.6% above the PDS forecast. The distribution of 6.32c per security is in line with the PDS forecast. Distributions per security calculations are based on the weighed average number of securities on issue from 15 August 2016 to 30 June 2017.

Financial position

As a result of the IPO, Propertylink has established a strong balance sheet position. Key metrics include:

- Net asset value per security at 30 June 2017 of 88.0 cents, with net tangible asset value per security 87.3 cents;
- Cash held of \$20m;
- Investment properties of \$604m, including properties held for sale of \$32m;
- Property, plant and equipment of \$98m, including the Melbourne Markets asset of \$97m;
- Equity accounted investments of \$63m, including Propertylink Enhanced Partnership investment of \$42m;
- Drawn debt at 30 June 2017 of \$257m;
- Debt facility limit of \$300m, inclusive of a \$5m bank guarantee facility (largely fully drawn), giving facility head room of \$38m at 30 June 2017;
- Gearing of 30.5%, at the bottom of the target range and down from 35% at IPO, and look through gearing of 35.2%;
- Weighted average cost of debt at 30 June 2017 of 3.27%;
- Weighted average debt expiry of 3.12 years at 30 June 2017; and
- \$177.5m (69.1% of drawn debt at 30 June 2017) of debt hedged over the term.

Propertylink remains within all debt covenant limits and target ranges. In July, Propertylink's financial position was further strengthened following the settlement of the \$23m sale of 150-156 McCredie Road, Smithfield property, and performance fees of approximately \$18.5m generated in July 2017 through the divestment of two external fund assets.

Property portfolio

Propertylink's pro-active approach and active management style has achieved excellent leasing outcomes across the portfolio during FY2017. Key highlights are:

- 58 lease transactions covering 179,101 m² (37.2%) of the portfolio;
- the lease transactions achieve a Weighted Average Lease Expiry ("WALE") of 5.48 years, and assisted in increasing portfolio WALE to 4.4 years from 3.6 years at IPO;
- 21 renewals at a tenant retention rate of 78.2% and average incentive of 6.8%;
- 37 new leases at average incentive of 14.62%;
- average downtime on new leases of 5.01 months; and
- Portfolio occupancy up to 97%.

Major lease transactions over the year included:

- A new 15 year lease to the Walkinshaw Group at 71-93 Whiteside Road and 74-84 Main Road, Clayton (removing a significant vacancy risk as it comprises 28,286 m² or 5.9% of the portfolio by area);
- New lease deals for Propertylink's 18,060 m² development project at 122 Newton Road, Wetherill Park to Sika Australia and Northline, resulting in a blended WALE of 6.5 years;
- 13 separate new and renewal lease transactions at 7-15 Gundah Road, Mount Kuring-Gai (totalling 26,088 m², and improving the asset WALE from 1.8 years to 3.7 years);
- A new 4 year 11 month lease to United Steel at 571 Derrimut Road, Derrimut, and
- A new 6 year lease for 9,954 m² at 8 Sylvania Way, Lisarow.

At 30 June 2017, five assets representing 24.3% of the portfolio by value were independently valued in accordance with Propertylink's valuation policy. Including valuations undertaken at 31 December 2016, over the 12 months to 30 June 2017, 55.2% of the portfolio was independently valued. Combined with internal valuations across the remainder of the portfolio, the increase on carried value of the property portfolio was \$37.3m in FY2017, driven by a combination of positive market fundamentals and continued leasing success. The Weighted Average Capitalisation Rate (WACR) tightened by 43 basis points over the year, to 7.22% at 30 June 2017.

Propertylink capitalised on opportunities to recycle capital during FY2017, divesting 36 National Boulevard, Campbellfield, strata units 2 & 3, 22 Beaumont Road, Mt Kuring-Gai, 9-13 Titanium Court, Crestmead, and 10-12 Pike Street, Rydalmere. A contract for the sale of 150-156 McCredie Road, Smithfield was agreed during FY2017, and the sale was completed in July 2017. Post year-end Propertylink exchanged a contract to sell 8 Sylvania Way, Lisarow for \$9.6m.

The sales of assets realised \$49.0m in gross proceeds for reinvestment into new opportunities and achieved an average premium to book value of 14.9%.

Propertylink's strategy to improve its prime asset holdings continued with the completion of the development at 122 Newton Road, Wetherill Park. The construction of a modern logistic facility of 8,684 m² and the refurbishment of the existing building on site of 9,376 m² were leased prior to practical completion to Sika Australia and Northline with a blended WALE of 6.5 years, achieving a yield on cost of 7.12%.

Key property statistics¹:

	PDS	31-Dec-16	30-Jun-17
Property portfolio value	\$685m	\$698m	\$695m
Number of properties	33	32	30
Gross lettable area	515,403 sqm	503,698 sqm	481,164 sqm
Occupancy	95.0%	95.1%	97.0%
Tenant incentives	15.5%	11.0%	13.0%
WALE	3.6 years	4.4 years	4.4 years
WACR ⁽¹⁾	7.65%	7.40%	7.22%

¹ Key property statistics exclude Propertylink's tenancy in common interest in 73 Miller Street, North Sydney.

Investment management

Propertylink provides a range of real estate management services to global institutional investors. Those services include investment management, property management, property acquisition, property development and property leasing. Propertylink can also earn performance fees from investments managed on behalf of global institutional investors. Revenue from these fees is detailed in commentary on **Total comprehensive income**, however significant operational events for FY2017 included:

- Over the course of FY2017 Propertylink's Investment Management business completed acquisitions of office and industrial assets totalling \$500.1m. After completing asset sales of \$81.2m, total AUM at the close of the year was \$1,214m.
- The Propertylink Enhanced Partnership completed two major transactions in FY2017, firstly the acquisition of a portfolio of assets in August 2016 for \$141.9m, and then the acquisition of 50 Ann Street, Brisbane for \$145m.
- The Propertylink Australian Industrial Partnership II continued to acquire core-plus logistics and industrial assets throughout the year, acquiring a further 11 assets. Total AUM in PAIP II now stands at \$252.2m.
- In February 2017 Propertylink completed the sale of two cold store logistics facilities for \$73.1m on behalf of the Propertylink Australian Logistics Trust. The wind up of this mandate has delivered returns to investors above the Australian Dollar target.
- As at 30 June 2017 Propertylink had exchanged contracts for the sale of two investment mandate assets, being 320 Pitt Street, Sydney for \$275.0m, and 90 Mills Road, Braeside for \$50.55m. Both transactions were completed in July 2017, delivering both above target outcomes for investors, and approximately \$18.5m in performance fees for Propertylink which will be received in the 2018 financial year.

In FY2018 Propertylink will continue to grow assets under management in a diligent and prudent manner. Propertylink will continue to drive performance across the investment management platform through its in-house active approach to leasing, value add and development capabilities, and transactional expertise.

Directors' Report

The Directors of Propertylink (Holdings) Limited (ABN 59 092 684 798) present their report, together with the consolidated Financial Statements for the year ended 30 June 2017 (referred to as "year" or "FY2017"), for the Propertylink Group (referred to as "Propertylink" or "Group"), consisting of Propertylink (Holdings) Limited and its controlled entities (referred to as "PHL" or "Company"), Propertylink Trust and its controlled entities (referred to as "PT"), and Propertylink Australian Industrial Partnership and its controlled entities (referred to as "PAIP").

On 15 August 2016 Propertylink completed an initial public offering (IPO), resulting in a listing of its securities on the Australian Securities Exchange (ASX). On that date the units in PAIP were stapled to the units in PT and the shares in PHL. Since that time a stapled security comprises one PHL share, one PT unit, and one PAIP unit, and the stapled securities cannot be traded or dealt with separately. PHL was the deemed acquirer of PT and PAIP.

Propertylink 2017 consolidated Financial Statements include profits generated by the unlisted stapled PHL and PT group from 1 July 2016 to 15 August 2016, and profits generated by the stapled Propertylink Group from 16 August 2016 to 30 June 2017. Prior to 15 August 2016, the units in PT were stapled to the shares in PHL, and comparative figures quoted in this report refer to the 2016 financial year results of that stapled group. For clarity, FY2016 comparative figures in this report and the Financial Statements exclude the financial performance of PAIP.

Further details of the IPO can be found in the Initial Public Offering Prospectus and Product Disclosure Statement (PDS), and the Supplementary Prospectus and Product Disclosure Statement (Supplementary PDS), which may be found on the Propertylink web site www.propertylink.com.au.

Directors and secretary

Directors

The following persons were Directors of PHL at all times during the year and to the date of this Directors' Report, unless otherwise stated.

Director	Appointed	Resigned
Peter Lancken	9 May 2000	
Stuart Dawes	5 July 2016	
Stephen Day	9 June 2011	
David Epper	11 August 2011	3 April 2017
Ian Hutchinson	29 March 2012	
Sarah Kenny	20 July 2017	
Peter McDonald	19 December 2014	20 July 2017
Derek Nix	11 August 2011	
Anthony Ryan	5 July 2016	
Christopher Ryan	9 May 2000	

The specific duties, qualifications and experience of each continuing Director are set out on pages 12 to 13 of this Annual Report.

Company secretary Rebekah Hourigan

Rebekah was appointed the Company Secretary of the Propertylink Group on 24 February 2015, and is responsible for company secretarial services and compliance, and risk and governance systems and practices across the Group.

Rebekah commenced her legal career with leading national litigation firms prior to moving in-house with Swiss Reinsurance Company and most recently the Charter Hall Group in Company Secretary, Compliance, and Legal Counsel roles.

Rebekah is admitted to practice as a lawyer in NSW, holds a Masters of Law from the University of New South Wales and a Bachelor of Science from the University of Sydney. Rebekah is also a Fellow of the Australian and New Zealand Institute of Insurance and Finance.

Attendance of Directors at Board and Board Committee meetings

The number of Directors' meetings held during the year and each Director's attendance at those meetings is set out in the table below. The Directors met 18 times during the year, of which 8 were main meetings and 10 were meetings held to consider specific business.

Director	Main meetings held	Main meetings attended	Specific meetings held ¹	Specific meetings attended
Peter Lancken	8	7	10	10
Stuart Dawes	8	8	10	10
Stephen Day	8	7	10	10
David Epper ²	6	5	10	9
Ian Hutchinson	8	8	10	7
Peter McDonald	8	6	10	9
Derek Nix	8	8	10	8
Anthony Ryan	8	7	10	10
Christopher Ryan	8	8	10	10

1 A significant number of special meetings were held during FY2017 due to the listing of Propertylink on the ASX.

2 David Epper resigned from the Board on 3 April 2017.

The number of Board Committee meetings held during the year and each Director's attendance at those meetings is set out in the table below.

Director	Audit and Risk Committee		Remuneration and Nominations Committee	
	Held	Attended	Held	Attended
Peter Lancken			4	4
David Epper ¹	3	2		
Ian Hutchinson	5	5		
Derek Nix			4	4
Anthony Ryan ²	2	1		
Christopher Ryan	5	5	4	4

1 David Epper ceased to be a member of the Audit and Risk Committee when he resigned from the Board on 3 April 2017.

2 Anthony Ryan was appointed to the Audit and Risk Committee on 3 April 2017 to replace David Epper.

Directors' relevant interests

The relevant interests of each Director in Propertylink stapled securities at the date of this Directors' Report are shown below:

Director	Number of securities
Peter Lancken	1,723,892
Stuart Dawes	2,991,765
Stephen Day	8,966,149
Ian Hutchinson	72,191
Sarah Kenny	-
Derek Nix	210,984
Anthony Ryan	499,719
Christopher Ryan	1,006,499
Total	15,471,199

Directors' directorships in other listed entities

The following table sets out directorships of other ASX listed entities (unless otherwise stated), not including Propertylink, held by the Directors at any time in the three years immediately prior to the end of the year, and the period each directorship was held:

Director	Company	Date appointed	Date resigned
Peter Lancken	None held		
Stuart Dawes	None held		
Stephen Day	None held		
David Epper	None held		
Ian Hutchinson	None held		
Sarah Kenny	None held		
Peter McDonald	None held		
Derek Nix	None held		
Anthony Ryan	None held		
Christopher Ryan	China Waste Corporation Ltd	16 Feb 2011	6 Sep 2015
	TTG Fintech Limited	12 Sep 2012	
	eCargo Holdings Limited	7 Aug 2014	
	99 Wuxian Limited	1 Nov 2016	
	Retech Technology Co. Ltd	5 Dec 2016	

Operating and financial review

The operations and financial review is set out on pages 23 to 27 of this Annual Report.

Distributions

The following distributions have been paid to securityholders during FY2017:

Declared and paid during FY2017	Cents per security	Date of payment
Fully franked dividend paid to pre-IPO securityholders by PHL	22.0	15 August 2016
Distribution paid to pre-IPO securityholders by PT	48.0	15 August 2016
Distribution paid to securityholders by PAIP	2.7	3 March 2017

After balance date the Directors have resolved to make a distribution of 3.62 cents per security to securityholders at the record date of 30 June 2017. That distribution was not provided in the accounts.

Outlook

Propertylink provides the following guidance for FY2018:

- Distributable Earnings Per Security (DEPS) in the range of 8.5c to 8.7c; and
- Distributions Per Security (DPS) in the range of 7.1c to 7.3c

Remuneration report - audited

The Remuneration Report is set out on pages 33 to 43 of this Annual Report.

Principal activities

During the year the principal activities of Propertylink were to:

- generate rental income from the direct ownership of a portfolio of industrial properties;
- generate fee income from a range of services to global institutional investors for the management of industrial and commercial property assets; and
- earn income from co-investing with those global institutional investors in industrial and commercial property assets.

Propertylink's principal activities were changed significantly in both nature and scale as a result of the successful completion of the IPO on 15 August 2016. Prior to that date Propertylink had no direct ownership of properties, however did generate fee income from investment and property management services, and earned a share of income from co-investments.

Likely developments and expected results of operations

In the opinion of Directors', other than information already outlined in this Directors' Report or the accompanying Financial Statements, any further disclosure regarding business strategies, future developments, or results, would be unreasonably prejudicial to the Group.

Events after the reporting date

Securityholders are advised of the following matters which occurred after 30 June 2017:

- On 21 July 2017 Propertylink Office Partnership II (POP II) trust settled the sale of 320 Pitt Street, Sydney, which was the only property asset of the POP II group. As a result of the sale, PHL as manager, became entitled to a performance fee of approximately \$17.5m. PT will also receive its underlying 5% equity investment in POP II when the trust is wound up.
- On 25 July 2017 a confidential mandate settled the sale of 90-110 Mills Road, Braeside, which was the only property asset of that trust. As a result of the sale PHL as manager will become entitled to a performance fee of approximately \$1m, and PT will receive its 10% equity investment in the trust.
- On 15 July 2017 PAIP settled the sale of 150-156 McCredie Road, Smithfield, for a contract price of \$23m, as a result of a sale contract entered into in June 2017.
- During July 2017, PT invested \$20m in acquiring additional units in PAIP II, taking its equity investment in PAIP II to approximately \$25m.

Environmental regulation

The Directors are satisfied that Propertylink has adequate systems in place in relation to the Group's environmental responsibility and compliance with all relevant requirements and regulations. Further the Directors are not aware of any material breaches to these requirements and, to the best of their knowledge, all activities have been undertaken in compliance with these environmental requirements.

Indemnities

Premiums for policies of insurance indemnifying Directors, officers, and in specific circumstances, some other persons, has been paid by Propertylink (Holdings) Limited. The policies cover all entities in the stapled Propertylink Group.

Under the terms of the policies, the level of cover or the amount of premiums are not permitted to be disclosed.

Governance

Propertylink's Corporate Governance Statement is available on the Propertylink web site at <http://propertylink.com.au/about/corporate-governance/>

Audit

Auditor

KPMG was appointed as auditor of Propertylink at the Annual General Meeting held in 2016, and continues in office in accordance with section 327 of the *Corporations Act 2001*.

Non-audit services

Prior to the appointment of KPMG as Propertylink's Auditors in November 2016, KPMG Transaction Services were engaged as Investigating Accountant for the purposes of the Prospectus and PDS issued as part of the IPO process. In August 2016 KPMG Transaction Services were paid fees of \$450,000 for work in relation to the Investigating Accountant report.

Propertylink may decide to employ the auditor on assignments other than their statutory audit duties where the Auditor's expertise and experience are important, provided that any such engagement is allowed by, and made under, the terms set out in Propertylink's policy on non-audit services. Details of amounts paid or payable to the Auditor for audit services provided during the year are set out in note 20 of the Notes to the Financial Statements. Other than fees paid to KPMG Transaction Services prior to KPMG's appointment as Propertylink's Auditor as outlined above, there were no non-audit services provided by KPMG during the year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 44 and forms part of this Directors' Report.

Rounding of amounts

PHL, PT and PAIP are entities of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investment Commission, relating to rounding of amounts in the Directors' Report and the Financial Statements. Amounts in the Directors' Report and the Financial Statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' authorisation

This Directors' Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 August 2017. The Directors have the power to amend and reissue the Financial Statements.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Managing Director and Chief Executive Officer

14 August 2017

Remuneration report - audited

Dear Securityholder,

On behalf of the Board of Directors, I am pleased to present Propertylink Group's ("Propertylink") first remuneration report since our unconditional listing on the Australian Securities Exchange on 15 August 2016. The primary objective of this report is to set out our remuneration framework and outcomes for the 2017 financial year ("FY2017"), as well as to describe the transitional arrangements that were in place for the period from the date of listing to 30 June 2017.

Propertylink's remuneration framework is designed to support and reinforce its principal strategic objectives. The purpose is to create a reward and incentive framework that produces remuneration outcomes that are aligned to corporate financial and operational performance, as well as the interests of securityholders, having regard to corporate governance best practice requirements.

Propertylink's FY2017 remuneration framework is designed to be simple and transparent and is significantly linked to financial performance metrics. At this point the Board considers that the framework provides a sound balance between fixed and at risk remuneration, together with cash and equity based rewards. Moving forward, the remuneration policy will continue to evolve as the Board seeks to benchmark Propertylink against peers, whilst maintaining alignment with the interests of securityholders.

At listing, Propertylink implemented a structure that includes fixed remuneration (being base salary and statutory superannuation), variable annual short term incentives ("STI") paid in cash and deferred equity (subject to the achievement of yearly performance targets), and annual equity-based long term incentives ("LTI") (subject to the achievement of long term performance hurdles over a minimum three year period).

For FY2017, the STI applied a single performance measure based upon Distributable Earnings per Share ("DEPS"), with a target range set consistent with forecasts provided in the Prospectus. All Executive KMP received their maximum STI entitlement for FY2017 as DEPS for that year exceeded the stretch DEPS target.

From FY2018, target STI performance for Executive KMP will be measured through applying a balanced scorecard of both financial (75%) and non-financial (25%) KPIs. The use of a balanced scorecard will broaden the performance criteria to include measures such as people and culture, leadership, business excellence, and customers. Stretch STI will continue to be measured against financial KPIs. The introduction of qualitative measures is designed to more closely align the Executive reward structure to Propertylink's strategic goals.

We welcome feedback from our securityholders regarding our remuneration policy and practice. We will continue to engage with securityholders to ensure our remuneration framework remains appropriate and consistent with Australian market expectations.

Yours sincerely,



Chris Ryan

Non-Executive Director and Chair of the Remuneration and Nomination Committee

Remuneration Report (continued)

The Remuneration Report has been prepared in accordance with section 300A of the *Corporations Act 2001* and AASB 124 *Related Party Disclosures*. The information provided in this Remuneration Report has been audited in accordance with the provisions of section 308 (3C) of the *Corporations Act 2001*.

This is the first Remuneration Report required to be prepared for Propertylink, following the completion of its IPO on 15 August 2016. References in this Remuneration Report to the Initial Public Offering Prospectus and Product Disclosure Statement use the letters "PDS" to denote that document. A copy of the PDS may be found on Propertylink's website.

The persons covered by this report

This report outlines the remuneration policies and practices that apply to Propertylink (Holdings) Limited Key Management Personnel ("KMP") for the year ended 30 June 2017. The KMP include Executive Directors, Other Reported Executives, and Non-Executive Directors, who are collectively responsible for planning, directing and controlling the activities of Propertylink Group.

Name	Role	Term as KMP
Executive Directors		
Stuart Dawes	Managing Director ¹ and Chief Executive Officer ("CEO")	Full year
Stephen Day	Executive Director ("ED")	Full Year
Other Reported Executives		
Peter McDonald ²	Chief Investment Officer ("CIO")	Full Year
Tony Groth	Chief Financial Officer ("CFO")	Full Year
Non-Executive Directors ("NED's")		
Peter Lancken	Chair	Full Year
Ian Hutchinson	Director and Chair of Audit and Risk	Full Year
Christopher Ryan	Director and Chair of Remuneration and Nomination	Full Year
Derek Nix	Director	Full Year
Anthony Ryan	Director	Part Year ³
David Epper	Director	Part Year ⁴

¹ Stuart Dawes has been Chief Executive Officer for the entire financial year, but was appointed as a Director on 5 July 2016, and was appointed as Managing Director on 3 April 2017 (no person held the office of Managing Director between 1 July 2016 and 3 April 2017)

² Peter McDonald was an Executive Director and Head of Property for all of FY2017. Peter stepped down from the Propertylink Board on 20 July 2017, in order to focus on his new role of Chief Investment Officer, providing greater operational and management capacity to support future growth of the business.

³ Appointed 5 July 2016

⁴ Resigned 3 April 2017

Propertylink FY2017 performance summary

Propertylink completed its IPO on 15 August 2016. Key performance data for the first year of listing are:

- Distributable earnings per security of 7.51c, an increase of 12.6% over forecast distributable earnings per security in the PDS of 6.67c
- An interim distribution of 2.7c per security paid on 3 March 2017, and a planned final distribution of 3.62c per security payable on 4 September 2017, taking the total distributions to 6.32c per security, equal to the PDS forecast
- A security price on listing of \$0.89c per security, compared with a price of \$0.845c at 30 June 2017

Comparative figures for the previous four years are not shown as this is Propertylink's first remuneration report as a listed entity.

Overview of remuneration governance framework

Consistent with Propertylink's goal of becoming one of the largest Australian-focussed, internally managed industrial and commercial real estate groups, the remuneration governance framework is designed to incentivise and reward senior Executives for delivering against the Company's strategies, which are:

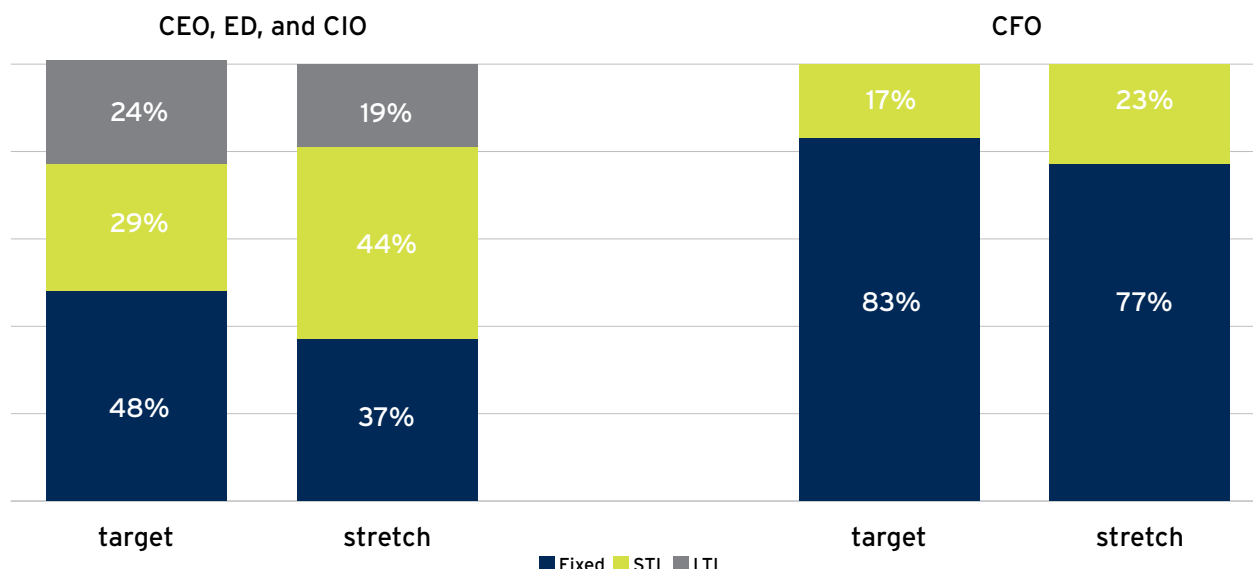
- **Invest** in a portfolio of industrial properties in the major Australian markets that provide a stable and diversified earnings profile with potential income and capital growth. **Co-invest** in external funds, maintaining a target 5-25% share of equity, and providing alignment of interests with global institutional investors, along with the ability to share in the returns offered by the funds.
- **Enhance** the portfolio of assets, both directly owned and held in external funds, through acquisitions, asset repositioning, targeted capital expenditure, development and divestments, leveraging our expertise as a skilled and active manager of real estate.
- **Grow** the investment management business by growing existing funds, securing new investment mandates, expanding our investment network and establishing new external funds, while continuing to grow our wholly owned property portfolio to maintain a stable and diverse earnings profile.
- **Maintain** a conservative capital structure across our balance sheet and external funds with a target balance sheet gearing range of 30% to 40%.

The following outlines the remuneration framework applicable for FY2017 and summarises its content and outcomes:

Executive remuneration mix

The Executive remuneration mix refers to the proportion of remuneration Executives can receive as fixed versus "at risk" performance based remuneration. The graphs below shows the remuneration mix for Executive KMP based on them achieving target Distributable Earnings ("DE") STI for FY2017, and stretch DE STI for FY2017.

The CEO, ED, and CIO have the same percentage mix of remuneration, so one graph shows CEO, ED and CIO remuneration mix, and a separate graph shows CFO remuneration mix. The CFO, who is currently not eligible for LTI, will have his contract reviewed during FY2018 with the aim to structure a mix of fixed, STI and LTI remuneration more aligned with other Executive KMP.



FY2017 remuneration structure

Fixed remuneration

Fixed remuneration is reviewed annually by the Remuneration and Nominations Committee ("RNC") and in doing so considers the pay practices of peer comparators (defined as the S&P/ASX 300 A-REIT index) to provide competitive remuneration that will attract and retain suitably qualified Executives.

Short term incentives (STI)

Propertylink outlined in the PDS an STI plan applicable to the CEO, ED, and CIO. The purpose of the STI plan is to provide a cash and equity incentive opportunity to the CEO, ED and CIO for the achievement of annual performance targets and objectives that are designed to support business performance and securityholder wealth creation.

Propertylink's FY2017 STI plan was based upon the achievement of the DE targets as set out in the PDS. It was considered that achieving the PDS DE target for FY2017 most closely aligns the CEO, ED and CIO performance with securityholder expectations for FY2017.

Remuneration Report (continued)

Performance measure	Distributable Earnings ("DE") (100%)
Measurement period	1 July 2016 to 30 June 2017.
Basis of calculation of STI amount	From zero to 120% of Fixed Remuneration
STI gateway	95% of budgeted DE must be achieved for any the CEO, ED, and CIO KMP to receive an STI payment.
Hurdle structure	<ul style="list-style-type: none"> From zero to 60% of fixed remuneration can be awarded for achieving 95-100% of target DE for FY2017; and A further zero to 60% of fixed remuneration can be awarded for outperformance in achieving 100-105% of DE for FY2017.
Deferral program	<p>Under the STI awarded, 50% of the total STI granted is payable immediately in cash, and 50% is granted as Propertylink restricted ordinary securities held by the Employee Incentive Plan, with vesting to occur on 1 July 2018 provided they remain employed by Propertylink at that date.</p> <p>The number of deferred STI restricted securities is determined based on Propertylink's volume weighted average price ("VWAP") for the 30 trading days leading up to 30 June 2017.</p>

For FY2017 the CFO was eligible to participate in a general staff bonus pool. The size of the staff bonus pool is ultimately at the discretion of the Board. While the Board did not commit to awarding a specific amount to staff for FY2017 bonuses, the forecast in the PDS on which the DE target of \$40.2m was based included a provision for staff bonuses. The CFO's maximum STI potential was 30% of his base salary, and, as for the CEO, ED and CIO, his KPI was the DE achieved measured against forecast DE. The basis of staff bonus pool awards is that 50% of the total STI granted is payable immediately in cash, and 50% is granted as Propertylink restricted ordinary securities held by the Employee Incentive Plan. Vesting of restricted securities cannot occur before release of Propertylink's FY2018 results, and requires that the CFO remains employed at the date of release of FY2018 results.

Long term incentives (LTI)

The purpose of the LTI plan is to provide an annual grant of equity-based incentives to eligible Executives in the interest of rewarding for sustainable company outperformance that will lead to superior returns for securityholders over the long term. Further, the LTI plan is also a retention mechanism that maintains a stable and effective team of performance focused Executives. For FY2017, only the CEO, ED and CIO were eligible to participate in the LTI plan.

Amount of LTI	50% of FY2017 fixed remuneration. The fair values of LTI rights have been independently valued at Relative TSR 38c and DEPS 71c per right.
Performance rights	The number of rights granted under the LTI plan was determined based on Propertylink's listing price of \$0.89c per security.
Performance measures	<p><u>Relative Total Securityholder Return ("Relative TSR"):</u></p> <ul style="list-style-type: none"> 50% of the LTI award Based on Propertylink's TSR as ranked against the TSR of the members of S&P/ASX 300 A-REIT index at the date of listing <p><u>DEPS:</u></p> <ul style="list-style-type: none"> 50% of the LTI award Measured on the compound annual growth rate ("CAGR") in DEPS <p>DEPS is applied under the LTI performance criteria as it is intended to incentivise the sustainability of earnings performance over the long term. This is in contrast to the DE measure under the STI plan that measures performance against the annual budget.</p>
Performance period	Relative TSR & DEPS: ~3 years from date of IPO to 30 June 2019, with vesting to occur in August 2019.
Vesting conditions	<p><u>Relative TSR:</u></p> <p>0% vests at below 50th percentile against S&P/ASX 300 A-REIT index, 100% vests at 75th percentile, with pro-rata vesting between the two points.</p> <p><u>DEPS:</u></p> <p>0% vests at below 6% DEPS CAGR, 100% vests at 8.5% DEPS CAGR, with pro-rata vesting between the two points.</p>
Cessation of employment	In the event that an Executive KMP ceases to be employed in circumstances justifying summary dismissal, any entitlement to rights will be forfeited. In circumstances where employment ceases for other reasons, a pro-rata portion of unvested rights remain on foot and will be subject to the original performance conditions, unless the Board (acting reasonably) determines an alternative treatment.
Treatment of dividends/distributions	There are no rights to dividends or distributions during the performance period.
Change in control provisions	The Board retains its discretion over the treatment of unvested LTI grants in the event of a change in control.

FY2017 variable pay outcomes

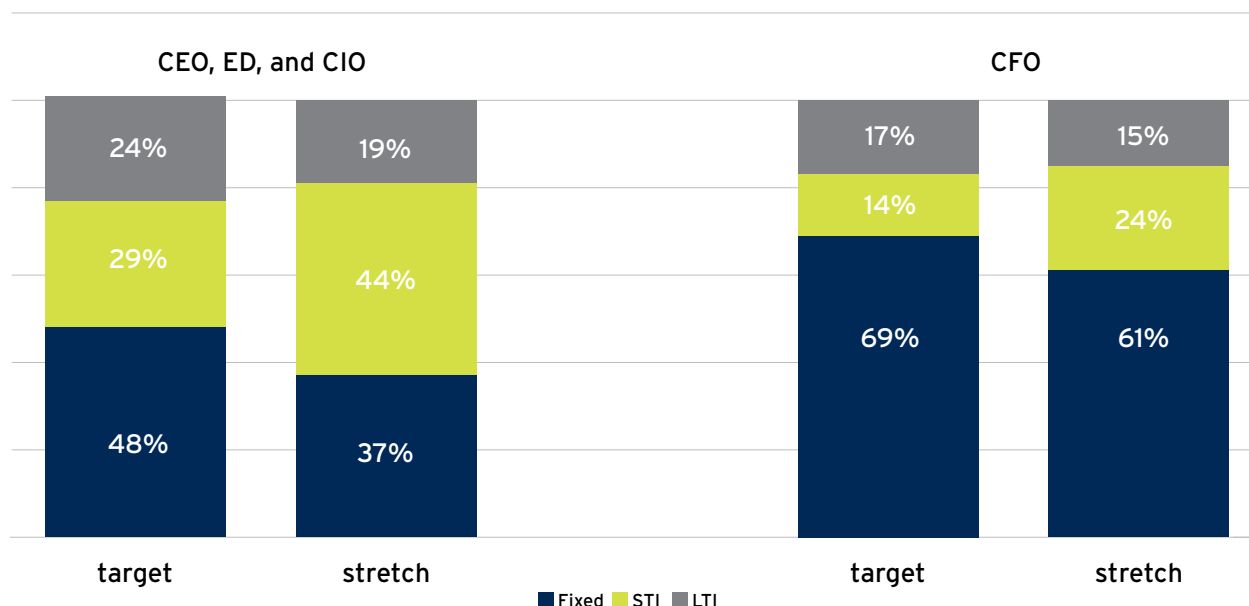
STI paid for performance in FY2017	<p>Each of Stuart Dawes (\$660,000), Stephen Day (\$630,000) and Peter McDonald (\$630,000) are expected to be granted maximum possible target and stretch STI for FY2017. This is based upon the achievement of stretch DE of greater than 105% of target DE for FY2017.</p> <p>Tony Groth was eligible to participate in a staff bonus pool for FY2017 and has been granted an amount of \$72,000 for the achievement of stretch DE for FY2017.</p>
LTI vested in FY2017	<p>In July 2015, each of Stuart Dawes (105,000 securities), Stephen Day (126,000 securities) and Peter McDonald (105,000 securities) were granted service based LTI in the form of Performance Rights to securities to be issued in three equal tranches on 1 July 2016, 1 July 2017 and 1 July 2018, provided that they remained employed by Propertylink on each of the vesting dates.</p> <p>The rationale for issuing these service based rights was in the interest of acting as a retention mechanism for key Executive KMP, whereby these equity instruments were granted well in advance of the initial public offering that concluded in August 2016. At the time this plan was implemented the Board determined that the most important factor for Propertylink was the retention of the senior management team.</p> <p>In July 2016, when the first grant vesting date passed, Stuart Dawes was issued 35,000 securities, Stephen Day was issued 42,000 securities and Peter McDonald was issued 35,000 securities.</p> <p>The grants issued to the CEO, ED and CIO under the FY2017 LTI plan are not due to be tested until after the performance period expires on 30 June 2019. No rights can vest until after that date.</p>
IPO related performance fee from PAIP's former owners	<p>A \$25.2m performance fee was payable by PAIP's former owners to the Propertylink (Holdings) Limited ("PHL")/Propertylink Trust ("PT") existing investors in FY2017 as a result of the IPO, based on the outperformance PHL/PT Group generated for PAIP owners above a minimum hurdle return of 15% p.a.</p> <p>As a result of the fee generated by the IPO, staff participated in a bonus pool of \$1.25m. Staff were awarded bonuses partly in cash and partly in unvested Propertylink securities. As a participant in that pool the CFO was awarded a cash bonus of \$250,795 and was granted 130,567 unvested Propertylink restricted ordinary securities with a value of \$116,205, which will vest on release of FY2017 results, providing he remains employed by Propertylink.</p>

FY2018 remuneration changes

Fixed Remuneration	The RNC reviewed fixed remuneration for Executive KMP, and in doing so referred to entities listed in the S&P/ASX 300 A-REIT that are considered comparable to Propertylink. Any changes to the fixed remuneration for Executive KMP that may occur as a result of this benchmarking exercise will be disclosed in the 2018 remuneration report.											
STI	<p>From 1 July 2017, a change has been made by the Board in that part of the STI measurement will be based on a balanced scorecard of non-financial KPIs which will assess performance in the areas of people and culture, leadership on core values, business excellence, and customers.</p> <table><tr><th>Executive KMP</th><th>Target STI</th><th>Outperformance STI</th></tr><tr><td>CEO, ED, and CIO</td><td>60% of fixed remuneration, awarded as to 75% on target financial performance, and 25% on non-financial KPIs</td><td>60% of fixed remuneration, all awarded based on financial outperformance</td></tr><tr><td>CFO*</td><td>20% of fixed remuneration, awarded as to 75% on target financial performance, and 25% on non-financial KPIs</td><td>20% of fixed remuneration, all awarded based on financial outperformance</td></tr></table> <p>* Note: from 1 July 2017 the CFO will no longer be eligible to participate in the staff bonus pool and therefore his bonus arrangements will now be consistent with the STI entitlements for all other Executive KMP.</p>			Executive KMP	Target STI	Outperformance STI	CEO, ED, and CIO	60% of fixed remuneration, awarded as to 75% on target financial performance, and 25% on non-financial KPIs	60% of fixed remuneration, all awarded based on financial outperformance	CFO*	20% of fixed remuneration, awarded as to 75% on target financial performance, and 25% on non-financial KPIs	20% of fixed remuneration, all awarded based on financial outperformance
Executive KMP	Target STI	Outperformance STI										
CEO, ED, and CIO	60% of fixed remuneration, awarded as to 75% on target financial performance, and 25% on non-financial KPIs	60% of fixed remuneration, all awarded based on financial outperformance										
CFO*	20% of fixed remuneration, awarded as to 75% on target financial performance, and 25% on non-financial KPIs	20% of fixed remuneration, all awarded based on financial outperformance										
LTI	There are currently no plans to change the design of the LTI plan for each of the CEO, ED and CIO during FY2018. However the Board plans to extend the LTI plan to the CFO, and also to senior staff who are not KMP, in FY2018. Details applicable to Executive KMP will be disclosed in the FY2018 Remuneration Report.											
Non-Executive Directors' fees	<p>As part of the review of all fees payable to Non-Executive directors, in order to align fees with general market practice, the Board has adopted a RNC recommendation to pay Non-Executive Directors' the following fees from 1 July 2017:</p> <ul style="list-style-type: none">• Chairman \$150,000 (previously \$70,000);• Non-Executive Director \$75,000 (previously \$50,000);• Committee Chair additional \$15,000 (previously \$10,000); and• Committee Member additional \$5,000 (previously no additional fee).											

FY2018 remuneration mix

The Executive remuneration mix refers to the proportion of remuneration Executive KMP can receive as fixed versus “at risk” performance based remuneration. The graphs below shows the remuneration mix for Executive KMP based on them achieving target STI for FY2018, and stretch STI for FY2018.



Remuneration policy

Broadly, the policy details the following in relation to Propertylink’s remuneration arrangements:

- Propertylink’s Board and the Remuneration and Nomination Committee are responsible for the remuneration policies of the Company. Specifically, the RNC is required to:
 - Review and recommend to the Board remuneration arrangements, including base remuneration and STI and LTI plans, for Executive KMP;
 - Review and recommend to the Board awards to Executive KMP under STI and LTI arrangements;
 - Review and recommend to the Board the remuneration arrangements for the Chairman and the Non-executive Directors of the Board, including fees, travel and other benefits;
 - Approve major changes to the Propertylink Group’s human resources strategies; and
 - Approve and recommend to the Board major changes to, and offers under, the Propertylink Group’s employee equity incentive plan.
- Risk is managed in the Executive KMP remuneration framework through:
 - Allocation of target STI as a proportion of annual fixed remuneration based upon the achievement of annual key performance indicators as determined by the RNC;
 - Allocation of stretch STI as a proportion of annual fixed remuneration, to be awarded conditional on achieving financial outperformance over and above target financial performance;
 - Deferral of a portion of all STI awarded into restricted securities, held under the employee equity incentive plan, which fully vest after an additional service period of one year;
 - Allocation of target LTI as a proportion of annual fixed remuneration, to be awarded as performance rights that vest based upon achieving appropriately stretching performance metrics that are linked to securityholder outcomes and measured over a minimum three year performance period.
- External advisors and remuneration consultants:
 - The RNC, where it deems necessary, seeks support from independent experts and advisors. In the process of preparing for the IPO during the 2016 financial year, advice was sought from such experts and advisors on both the structure of remuneration packages and the quantum of remuneration paid.
 - Legal advice was sought during the period post listing and up to the date of this report on ensuring that minor changes to Executive KMP contracts meet the appropriate legal parameters.

Remuneration Report (continued)

- o No independent remuneration consultants have been engaged since the date of listing. Due to the detailed advice provided by independent consultants prior to listing, the RNC determined that there was no practical requirement to seek further advice post listing.
- o The information provided by external advisors is used only as inputs for RNC consideration and decision making. The Board has ultimate decision-making authority over matters of remuneration structures and outcomes.

The RNC's role is detailed in the Committee Charter on Propertylink's website (www.propertylink.com.au).

Executive statutory remuneration

The following table details the total remuneration of Executive KMP for FY2017. As this is Propertylink's first Remuneration Report as a listed entity, no comparative data is provided in the Report. Comparative information will be provided in future years to assist securityholders to understand Propertylink's remuneration structures and performance.

Name	SHORT TERM BENEFITS			POST EMPLOYMENT BENEFITS	SECURITY BASED PAYMENTS		OTHER LONG TERM BENEFITS		Total	% of remuneration that is performance related
	Salary	Cash settled incentive payments	Non- monetary benefits	Super- annuation	Security based STI	Security based LTI	Cash settled incentive payments	Long service leave		
Managing Director and Chief Executive Officer										
Stuart Dawes	517,429	289,956	14,742	30,000	161,313	51,611	97,003	10,734	1,172,788	51%
Executive Director										
Stephen Day	487,413	281,554	14,742	32,083	153,980	49,265	116,404	-417	1,135,025	53%
Chief Investment Officer										
Peter McDonald	509,741	277,661	14,742	19,308	153,980	49,265	97,003	8,447	1,130,147	51%
Chief Financial Officer										
Tony Groth	209,034	279,548	10,309	32,650	127,467	-	-	3,650	662,657	61%
Total 2017	1,723,618	1,128,719	54,536	114,041	596,740	150,140	310,409	22,413	4,100,617	

Executive employment terms

Each of the Executive KMP have formalised employment contracts with Propertylink. The employment contracts are ongoing in duration. The contracts provide for participation in STI and LTI programs as described above.

Name	Position	Minimum notice period	
		Employee	Propertylink
Stuart Dawes	Managing Director and Chief Executive Officer	12 months	12 months
Stephen Day	Executive Director	12 months	12 months
Peter McDonald	Chief Investment Officer	12 months	12 months
Tony Groth	Chief Financial Officer	3 months	3 months

In circumstances where termination of employment creates an entitlement to redundancy pay, such entitlement will be calculated with regard to the National Employment Standards. Any payment made on termination of employment due to redundancy, will be inclusive of any statutory entitlement to redundancy pay.

Other than as described above, Executive KMP contracts do not provide for any termination benefits aside from payment in lieu of notice, where applicable. Treatment of unvested incentives is dealt with in accordance with the terms of the grants (refer to commentary on STI and LTI).

No notice period is required if Propertylink terminates employment in circumstances justifying summary dismissal.

Non-Executive Director fees

The maximum payable to Non-Executive Directors is currently \$600,000. The Board intends to seek approval at the 2017 Annual General Meeting to lift the maximum amount to \$700,000.

The following table details the total remuneration of Non-Executive Director KMP for FY2017. As this is Propertylink's first remuneration report as a listed entity, no comparative data is provided in the Report.

SHORT TERM BENEFITS			
Name	Cash fees	Security based fees	Total
Chair			
Peter Lancken	70,000	107,500	177,500
Non-Executive Directors			
Ian Hutchinson	60,000	30,000	90,000
Christopher Ryan	60,000	57,500	117,500
Derek Nix	50,000	32,500	82,500
David Epper	37,500	32,500	70,000
Anthony Ryan	50,000	-	50,000
Total 2017	327,500	260,000	587,500

Equity based remuneration to Non-Executive Directors

Security based fees were granted to Non-Executive Directors to compensate them for additional time spent during the IPO process over and above normal Director duties. These securities were granted and vested on 15 August 2016 and are escrowed until the release of the FY2017 results. This security based compensation was provided in lieu of additional cash fees. No performance conditions or additional vesting requirements are attaching to these securities.

Securityholdings of all KMP

Ordinary Security Holdings	Opening balance 30 June 2016	Net acquisitions/ disposals	Issue of vested Performance Rights	Closing balance 30 June 2017
Executive Directors				
Stuart Dawes	2,105,204	472,572	35,000	2,612,776
Stephen Day	7,235,996	1,309,209	42,000	8,587,205
Other Reported Executives				
Peter McDonald	4,763,776	1,221,491	35,000	6,020,267
Tony Groth	180,500	559,143	-	739,643
Other Reported Executives				
Peter Lancken	1,115,041	608,851	-	1,723,892
Ian Hutchinson	25,000	47,191	-	72,191
Chris Ryan	872,573	133,926	-	1,006,499
Derek Nix	150,000	60,984	-	210,984
Anthony Ryan	-	499,719	-	499,719
David Epper	77,273	-77,273	-	-
Sarah Kenny	-	-	-	-
Total	16,525,363	4,835,813	112,000	21,473,176

Performance Rights	Opening balance 30 June 2016	Performance Rights granted during year	Performance Rights vested and securities issued	Closing balance 30 June 2017
Stephen Day	126,000	294,944	(42,000)	378,944
Stuart Dawes	105,000	308,989	(35,000)	378,989
Peter McDonald	105,000	294,944	(35,000)	364,944
Total	336,000	898,877	(112,000)	1,122,877

Number of LTI service and performance rights outstanding to Executive KMP at 30 June 2017

Reported Executives rights	Rights previously granted	Granted during the year	Vested during the year	Forfeited during the year	Held at 30 June 2017
Stuart Dawes					
Service based Performance Rights granted 1 July 2015					
Vesting on 1 July 2016	35,000		35,000		-
Vesting on 1 July 2017	35,000				35,000
Vesting on 1 July 2018	35,000				35,000
Performance Rights granted 15 July 2016					
DEPS CAGR PR to be awarded August 2019 if hurdles met	-	154,494			154,494
TSR PR to be awarded August 2019 if hurdles met	-	154,495			154,495
Stephen Day					
Service based Performance Rights granted 1 July 2015					
Vesting on 1 July 2016	42,000		42,000		-
Vesting on 1 July 2017	42,000				42,000
Vesting on 1 July 2018	42,000				42,000
Performance Rights granted 15 July 2016					
DEPS CAGR PR to be awarded August 2019 if hurdles met	-	147,472			147,472
TSR PR to be awarded August 2019 if hurdles met	-	147,472			147,472
Peter McDonald					
Service based Performance Rights granted 1 July 2015					
Vesting on 1 July 2016	35,000		35,000		-
Vesting on 1 July 2017	35,000				35,000
Vesting on 1 July 2018	35,000				35,000
Performance Rights granted 15 July 2016					
DEPS CAGR PR to be awarded August 2019 if hurdles met	-	147,472			147,472
TSR PR to be awarded August 2019 if hurdles met	-	147,472			147,472
Tony Groth					
Service based Restricted Securities					
Granted 15 August 2016 vesting on release of FY2017 results	-	130,567			130,567
Granted 6 September 2016 vesting on release of FY2017 results	-	59,076			59,076
Total of Rights	336,000	1,088,520	112,000	-	1,312,520

In FY2017, each of Stuart Dawes (\$275,000), Stephen Day (\$262,500) and Peter McDonald (\$262,500) were granted LTI amounts in the form of Performance Rights. This LTI entitlement is equivalent to 50% of their FY2017 fixed annual remuneration and will vest subject to the achievement of Relative TSR and DEPS growth measures over the performance period to 30 June 2019.

Under the terms of the grants, the amounts were converted to rights to a number of Propertylink securities at the IPO issue price of \$0.89c per security. The outcome of these grants will not be determined until the initial testing date of 30 June 2019, when performance against vesting criteria will be assessed.

Other transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2017 \$'000	2016 \$'000
i. Fee income from key management personnel's related parties		
Project management fees - Nix Anderson Pty Ltd (associated with Derek Nix) ¹	65	-
Rent received - Blue Gum Capital Pty Ltd (associated with Anthony Ryan)	55	-
	120	-
ii. Fees paid to key management personnel's related parties		
Management services - Echo Capital Holdings Trust ("ECHT") ²	-	2,167
Project management fees - Nix Anderson Pty Ltd (associated with Derek Nix) ¹	57	119
Consulting fees - Blue Gum Capital Pty Ltd (associated with Anthony Ryan) ³	223	-
	280	2,286

1 Project management fees received from and paid to Nix Anderson Pty Ltd were for project management services provided on normal commercial terms and conditions.

2 Under arrangement in place in FY2016, ECHT provided management services to PHL. Stuart Dowes, Stephen Day and Peter McDonald are associated with ECHT.

3 Consulting fees paid to Blue Gum Capital Pty Ltd for advice to PHL in connection to the IPO.



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

To the Directors of Propertylink (Holdings) Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Propertylink Group for the financial year ended 30 June 2017 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.

A handwritten signature in black ink, appearing to read 'S. Gatt'.

KPMG

A handwritten signature in black ink, appearing to read 'S. Gatt'.

Steven Gatt
Partner

Sydney
14 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	30-Jun-2017 \$'000	30-Jun-2016 \$'000
Revenue			
Property revenue	2(b)	57,387	505
Management fee revenue	2(c)	37,154	10,757
Share of net profit of joint ventures	11(b)	8,536	9,352
Other income			
Gain on disposal of investment property		5,689	-
Net fair value gain on investment property	8(a)	27,834	602
Other income/(expenses)		379	524
Total revenue and other income		136,979	21,740
Expenses			
Initial public offering cost	15(d)	(16,879)	-
Property expenses	3	(15,980)	(27)
Employment and management costs		(10,401)	(7,239)
Finance costs	4	(9,983)	(1,436)
Occupancy costs		(745)	(795)
Travel expenses		(625)	(586)
Legal and consultancy fees		(746)	(1,524)
Depreciation and amortisation expense		(145)	(200)
Administration and other expenses		(2,289)	(1,322)
Total expenses		(57,793)	(13,129)
Profit before income tax		79,186	8,611
Tax expense	5(b)	(2,100)	(281)
Profit after income tax		77,086	8,330
Other comprehensive income:			
Changes in the fair value of cash flow hedges	16	644	-
Revaluation gains on property, plant and equipment	9(a)	9,483	-
Total comprehensive income		87,213	8,330

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	30-Jun-2017 \$'000	30-Jun-2016 ¹ \$'000
Profit after income tax attributable to:			
Shareholders of the parent entity ¹		(15,432)	1,243
Unitholders of other stapled entities (non-controlling interests) ¹		92,518	7,087
		77,086	8,330
Total comprehensive income attributable to:			
Shareholders of the parent entity ¹		(15,432)	1,243
Unitholders of other stapled entities (non-controlling interests) ¹		102,645	7,087
		87,213	8,330
Earnings per share on profit/(loss) attributable to shareholders of the parent entity			
		Cents	Cents
Basic earnings/(loss) per share	6	(2.90)	4.45
Diluted earnings/(loss) per share	6	(2.90)	3.78
Earnings per stapled security on profit/(loss) attributable to stapled securityholders			
Basic earnings per security	6	14.48	29.84
Diluted earnings per security	6	14.48	25.32

1 Profit after income tax and total comprehensive income of \$8,330,000 in 2016 has been restated to separately disclose the amounts attributable to shareholders of the parent entity and unitholders of other stapled entities.

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 2017

	Note	30-Jun-2017 \$'000	30-Jun-2016 ¹ \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	17(a)	20,002	3,959
Trade and other receivables	17(b)	4,472	4,008
Prepayments		1,709	162
Investment properties held for sale	10	31,550	-
TOTAL CURRENT ASSETS		57,733	8,129
NON-CURRENT ASSETS			
Equity accounted investments	11(b)	63,345	39,414
Investment properties	8(a)	572,756	6,471
Property, plant and equipment	9(a)	98,054	561
Derivative financial instruments	12(c)	644	-
Deferred tax assets	5(c)	5,222	787
Intangible assets	18	4,566	4,566
TOTAL NON-CURRENT ASSETS		744,587	51,799
TOTAL ASSETS		802,320	59,928
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17(c)	11,207	10,166
Borrowings	13	-	22,802
Current tax liabilities		3,793	411
Employee benefits		466	356
TOTAL CURRENT LIABILITIES		15,466	33,735
NON-CURRENT LIABILITIES			
Employee benefits		283	198
Borrowings	13	255,926	-
TOTAL NON-CURRENT LIABILITIES		256,209	198
TOTAL LIABILITIES		271,675	33,933
NET ASSETS		530,645	25,995

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

Consolidated Statement of Financial Position

As at 30 June 2017

	Note	30-Jun-2017 \$'000	30-Jun-2016 ¹ \$'000
EQUITY			
Equity attributable to shareholders of the parent entity			
Issued capital	15(a)	5,364	40,598
Reserves	16	(25,110)	(20,556)
Retained earnings/(accumulated losses) ¹		(26,927)	(1,828)
Parent entity shareholders' interest		(46,673)	18,214
Equity attributable to unitholders of other stapled entities			
Issued capital	15(b)	525,206	-
Reserves	16	(9,406)	-
Retained earnings/(accumulated losses) ¹		61,518	7,781
Other stapled unitholders' interest		577,318	7,781
TOTAL EQUITY		530,645	25,995

¹ Retained earnings of \$7,781,000 has been restated from the previously disclosed retained earnings of \$5,953,000 to separately disclose the retained earnings attributable to unitholders of other stapled entities.

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 2017

		Attributable to shareholders of the parent entity				Attributable to unitholders of other stapled entities ¹			
	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings (accumulated losses) \$'000	Total \$'000	Contributed equity \$'000	Reserves \$'000	Retained earnings (accumulated losses) \$'000	Total \$'000
Balance at 1 July 2015		27,256	-	(3,071)	24,185	-	-	694	694
Comprehensive income for the year		-	-	1,243	1,243	-	-	7,087	7,087
Shares issued during the year	15	13,882	-	-	13,882	-	-	-	-
Share issue costs		(540)	-	-	(540)	-	-	-	-
Equity restructure	16(a)	-	(20,556)	-	(20,556)	-	-	-	-
Balance at 30 June 2016		40,598	(20,556)	(1,828)	18,214	-	-	7,781	7,781
Balance at 1 July 2016		40,598	(20,556)	(1,828)	18,214	-	-	7,781	7,781
Comprehensive income for the year		-	-	(15,432)	(15,432)	-	10,127	92,518	102,645
Capital reallocation	15	(35,234)	-	-	(35,234)	35,234	-	-	35,234
Securities issued during the year	15(b)	-	-	-	-	497,292	-	-	497,292
Share issue costs	15(b)	-	-	-	-	(7,320)	-	-	(7,320)
Equity restructure	15(d)	-	(4,554)	-	(4,554)	-	(19,533)	(1,424)	(20,957)
Dividends and distributions paid or provided for	7	-	-	(9,667)	(9,667)	-	-	(37,357)	(37,357)
Balance at 30 June 2017		5,364	(25,110)	(26,927)	(46,673)	525,206	(9,406)	61,518	577,318
									530,645

¹ Retained earnings at 1 July 2016 of \$7,781,000 (\$694,000 at 1 July 2015) has been restated to separately disclose the retained earnings attributable to unitholders of other stapled entities.

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	30-Jun-2017 \$'000	30-Jun-2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		107,135	14,052
Interest received		50	30
Payments to suppliers and employees		(54,084)	(4,237)
Finance costs paid		(8,110)	(1,276)
Income tax paid		(3,152)	(872)
Net cash provided by operating activities	21	41,839	7,697
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		23,904	1,064
Proceeds from sale of investment properties		49,190	-
Capital expenditure on investment properties		(17,624)	-
Capital expenditure on leasehold buildings		(106)	-
Loan payments to related parties		(3,540)	-
Loan proceeds from related parties		-	3,600
Payment for investment in joint ventures		(43,462)	(10,219)
Purchase of furniture, plant and equipment		(37)	(542)
Net cash provided by/(used by) investing activities		8,325	(6,097)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		497,292	-
Securities issue costs		(7,320)	-
Payments to acquire non-controlling interest		-	(7,445)
Equity restructuring payments		(24,087)	-
Proceeds from borrowings		291,640	10,870
Repayment of borrowings		(743,311)	(2,857)
Dividends and distributions paid		(48,335)	(557)
Net cash provided by/(used by) financing activities		(34,121)	11
Net increase in cash and cash equivalents		16,043	1,611
Cash and cash equivalents at the beginning of financial year		3,959	2,348
Cash and cash equivalents at the end of the year		20,002	3,959

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

About this Report

In this section

This section sets out the basis upon which the Group's Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

(a) Basis of preparation

Propertylink Group stapled securities are quoted on the Australian Securities Exchange under the "PLG" code and comprise one share in Propertylink (Holdings) Limited (PHL) and one unit in each of Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT). In accordance with Australian Accounting Standards, the entities within the Group must be consolidated for financial reporting purposes. The parent entity, PHL, has been deemed the acquirer of PAIP and PT. These Financial Statements therefore represent the consolidated results of PHL, and include PHL and its controlled entities, PAIP and its controlled entities and PT and its controlled entities (together the "Group"). Equity attributable to PAIP and PT stapled securityholders form a non-controlling interest. The amount of non-controlling interest attributable to stapled securityholders is disclosed in the Statement of Financial Position.

On 15 August 2016, the Group became unconditionally listed on the ASX following the successful completion of an Initial Public Offering (IPO). The Financial Statements include profits generated by the unlisted stapled PHL and PT group from 1 July 2016 to 15 August 2016, and profits generated by the listed Propertylink Group from 16 August to 30 June 2017. Prior to 15 August 2016, the units in PT were stapled to the shares in PHL, and comparative figures refer to prior period results of that stapled group. For clarity, comparative figures in the Financial Statements exclude the financial performance of PAIP.

Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

The financial report was authorised for issue by Directors on 14 August 2017.

These general purpose Financial Statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.

The Financial Statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

These Financial Statements are prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Judgements and estimates which are material to the financial report are discussed in the following notes:

- Investment properties Note 8
- Leasehold buildings Note 8, 9
- Derivative financial instruments Note 12

For the year ended 30 June 2017

(b) Principles of consolidation

The consolidated Financial Statements incorporate all of the assets, liabilities and results of the Propertylink Group and all of the subsidiaries.

(i) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 26. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(ii) Joint arrangements

Investments in joint arrangements are classified as joint ventures based on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. In addition, the Group's share of the profit or loss of the joint venture is included in the Group's profit or loss.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Upon the joint venture subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(c) New Accounting Standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (effective application for the Group is 1 July 2018).

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Group intends to apply the standard from 1 July 2018. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the consolidated Financial Statements.

AASB 15: *Revenue from Contracts with Customers* (effective application for the Group is 1 July 2018).

AASB 15 Revenue from Contracts with Customers clarifies the principles for recognition revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Group intends to apply the standard from 1 July 2018. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statement at the application date.

AASB 16: *Leases* (effective application for the Group is 1 July 2019).

AASB 16 Leases introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statement at the application date. The Group intends to apply the standard from 1 July 2019.

(d) Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business;
- it relates to an aspect of the Group's operations that is important to its future performance.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segments	8. Investment properties	12. Capital and financial risk management	18. Intangible assets
2. Revenue	9. Property, plant and equipment	13. Borrowings	19. Security-based payments
3. Property expenses	10. Non-current assets classified as held for sale	14. Commitments and contingencies	20. Auditors' remuneration
4. Finance costs	11. Equity accounted investments	15. Contributed equity	21. Cash flow information
5. Taxation		16. Reserves	22. Related parties
6. Earnings per security		17. Working capital	23. Parent entity disclosures
7. Dividends and distributions			24. Events after the reporting period
			25. Business combinations
			26. Interests in subsidiaries
			27. Company details

For the year ended 30 June 2017

Group Performance

In this section

This section explains the results and performance of the Group. It provides additional information about those individual line items in the Financial Statements that the Directors consider most relevant in the context of the operations of the Group.

Note 1 Operating segments

(a) Description of segments

The Board of Directors has been identified as the Group's chief operating decision maker (CODM) as they are responsible for the strategic decision making within the Group. The Group's operating segments have been determined based on the internal information that is provided to the CODM and which is used to make strategic decisions. Refer to the table below for a brief description of the Group's operating segments.

Segment	Description
Property investment	Acquires, improves and leases industrial property, and co-invests in industrial and commercial property, both within the geographical location of Australia.
Management services	Fund and property management services for managed assets, and property management services for owned assets, within the geographical location of Australia.

(b) Segment information

Information related to each reporting segment for FY2017 is set out below. Segment profit (loss) before tax is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

As a result of the stapling of PAIP in August 2016, the Group determined that it has two reportable segments. For the year ended 30 June 2016, the Group considered that it operated in only one segment, being property management and investment within the geographical location of Australia. As a result of the determination that the Group has two reportable segments, comparative figures for FY2016 are provided.

	Property investments	Management services	Total
Year ended 30 June 2017	\$'000	\$'000	\$'000
Revenue			
Operating revenue	65,603	37,154	102,757
Net fair value gain on investment property	27,834	-	27,834
Other income	5,514	2	5,516
Segment revenue and other income	98,951	37,156	136,107
Reconciliation to statutory revenue and other income:			
Other income			872
Total revenue and other income			136,979
Expenses			
Property expenses	(15,980)	-	(15,980)
Other operating expenses	(810)	(140)	(950)
Finance costs	(9,645)	-	(9,645)
Total segment expenses	(26,435)	(140)	(26,575)
Segment profit before income tax	72,517	37,016	109,532
Reconciliation to statutory profit after tax:			
Initial public offering cost			(16,879)
Employee benefits expenses			(9,855)
Other operating expenses			(4,001)
Finance costs and depreciation expense			(483)
Tax expense			(2,100)
Profit after income tax attributable to owners of the stapled securities			77,086

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

	Property investment \$'000	Management services \$'000	Total \$'000
Year ended 30 June 2016			
Revenue			
Operating revenue	9,783	10,757	20,540
Other income	603	-	603
Segment profit before income tax	10,386	10,757	21,143
Reconciliation to statutory revenue and other income:			
Other income			597
Total revenue and other income			21,740
Expenses			
Finance costs	(1,436)	-	(1,436)
Reconciliation to statutory profit after tax:			
Employee benefits expenses			(7,239)
Other operating expenses			(4,454)
Tax expense			(281)
Profit after income tax attributable to owners of the stapled securities			8,330
As at 30 June 2017			
Assets			
Equity accounted investments	63,345	-	63,345
Investment properties	572,756	-	572,756
Investment properties held for sale	31,550	-	31,550
Property, plant and equipment	97,600	-	97,600
Other assets	18,407	2,353	20,760
Total segment assets	783,658	2,353	786,011
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			5,275
Receivables and prepayments			791
Deferred tax assets			5,222
Intangible assets			4,567
Other plant and equipment			454
Total assets			802,320
Total segment liabilities	206,343	609	206,952
Reconciliation of segment liabilities to the Statement of Financial Position			
Intercompany payables			60,180
Other liabilities			4,543
Total liabilities			271,675
Segment net assets	577,315	1,744	579,059

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

As at 30 June 2016	Property investment \$'000	Management services \$'000	Total \$'000
Assets			
Equity accounted investments	39,414	-	39,414
Investment properties	6,471	-	6,471
Other assets	589	2,573	3,162
Total segment assets	46,474	2,573	49,047
Reconciliation of segment assets to the Statement of Financial Position			
Cash and cash equivalents			3,959
Receivables and prepayments			1,008
Deferred tax assets			787
Intangible assets			4,566
Other plant and equipment			561
Total assets			59,928
Total segment liabilities	22,867	395	23,262
Reconciliation of segment liabilities to the Statement of Financial Position			
Payables			9,705
Other liabilities			966
Total liabilities			33,933
Segment net assets	23,607	2,178	25,785

Note 2 Revenue

(a) Revenue recognition

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are capitalised, then recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free periods, upfront cash payments, or a contribution to certain lessee costs such as fitout costs. Incentives are capitalised and amortised on a straight-line basis over the lease term as a reduction in rental income. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

Service charges, management charges and other outgoings recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable and is classified as outgoings recovery income.

Management fee income

Propertylink has contractual entitlements to management fee income, which are recognised as follows:

- Performance fees are generally only entitled to be charged on the sale of all assets of a fund, so such fees are only recognised when all assets have been sold and Propertylink is entitled to charge fees;
- Acquisition and other transaction related fees are recognised when the service has been provided and Propertylink is entitled to charge fees; and
- Investment and property management services are provided on a monthly basis and revenue is recognised each month.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

(b) Property revenue

	2017 \$'000	2016 \$'000
Rental income	45,790	517
Outgoings recovery income	11,134	-
Straight-lining of lease incentives	264	(12)
Make good recovery	199	-
Total property revenue	57,387	505

(c) Fees and other income

	2017 \$'000	2016 \$'000
Management fee income:		
– Performance ¹	25,159	-
– Acquisitions	2,662	2,065
– Investment management	4,830	5,377
– Property management	3,577	2,568
– Other property services	926	747
Total management fee revenue	37,154	10,757

¹ Investment mandates generally allow for a performance fee to be paid in the event of investment performance above minimum hurdle rates. During the year performance fees were derived from former PAIP investors.

Note 3 Property expenses

	2017 \$'000	2016 \$'000
Council rates and land tax	4,355	-
Repairs, maintenance and utilities	3,805	-
Ground lease	2,406	-
Property management expenses	2,046	-
Depreciation	2,140	-
Property insurance costs	678	-
Other	550	27
Total property expenses	15,980	27

Note 4 Finance costs

Finance costs include interest, amortisation of borrowing costs incurred in connection with arrangement of borrowings and realised gains and losses on interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

	2017	2016
	\$'000	\$'000
Interest on bank loans	8,004	866
Interest on other loans	81	344
Borrowing costs ¹	1,898	226
Total finance costs	9,983	1,436

¹ Borrowing costs include \$1,555,096 in unamortised borrowing costs incurred to establish pre-IPO facilities for PHL and PAIP. The establishment of a new facility at the time of the IPO resulted in these costs being written off when the pre-IPO facilities were extinguished.

Note 5 Taxation

Most of the Group's profit is earned by trusts which are not subject to taxation. Income from the trusts is instead attributed to unitholders who pay income tax at their marginal tax rates. Income tax is in respect of Propertylink (Holdings) Ltd and its subsidiaries only.

The income tax expense (income) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Current and deferred income tax expense (income) is charged or credited outside the profit or loss when the tax relates to items that are recognised outside the profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability. With respect to non-depreciable items of property, plant and equipment measured at fair value and items of investment property measured at fair value, the related deferred tax liability or deferred tax asset is measured on the basis that the carrying amount of the asset will be recovered entirely through sale.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits can be utilised.

Where temporary differences exist in relation to investments in subsidiaries and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can't be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities, where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(a) Income tax expense/(benefit)

	2017	2016
	\$'000	\$'000
Current tax expense	(6,634)	(884)
Deferred tax benefit	4,534	603
Total tax expense	(2,100)	(281)
Deferred income tax expense included in the income tax (expense)/benefit comprises		
Increase in deferred tax assets	4,534	603
Total deferred tax expense	4,534	603

(b) Reconciliation of income tax (expense)/benefit to prima facie tax payable

	2017	2016
	\$'000	\$'000
Profit before income tax	79,186	8,611
Non-taxable profit attributable to Trusts	(92,518)	(7,087)
Profit/(loss) before income tax generated by PHL Group	(13,332)	1,524
Prima facie tax credit/(expense) at the Australian tax rate of 30%	4,000	(457)
<i>Tax effect of amounts which are not deductible/(taxable) in calculating taxable income</i>		
Non deductible items		
– Loan forgiven to PT	(6,000)	-
– Entertainment of clients and employees	(19)	(13)
– Share equity cost written off	-	83
– Capital gain sheltered by carrying forward capital loss	-	119
– Adjustments in respect of prior year	(81)	(13)
Income tax expense	(2,100)	(281)

(c) Deferred tax assets

	2017	2016
	\$'000	\$'000
The balance comprises temporary differences attributable to:		
Employee provisions	189	139
Initial public offering cost ¹	4,051	-
Other	982	648
Total deferred tax assets	5,222	787
Movement		
Opening balance at the beginning of the year	787	184
Movement in deferred tax asset arising from temporary differences ²	4,435	603
Closing balance at the end of the year	5,222	787

¹ Initial public offering costs are amortised over 5 years.

² Includes an adjustment to prior year balance of \$98,905

Note 6 Earnings per security

Earnings per security are determined by dividing the net profit attributable to shareholders of the parent and securityholders of the Group by the weighted average number of ordinary securities outstanding during the period. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities.

(a) Net profit used in calculating basic and diluted earnings per security

	2017	2016
	\$'000	\$'000
Profit/(loss) attributable to shareholders of the parent entity	(15,432)	1,243
Profit attributable to stapled securityholders	77,086	8,330

(b) Weighted average number of securities used as a denominator

	2017	2016
	No. of securities	No. of securities
Weighted average number of ordinary stapled securities used in calculation of basic earnings per security	532,334,533	27,915,673
Weighted average number of ordinary stapled securities used in calculation of diluted earnings per security	532,334,533	32,897,879

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(c) Basic and diluted earnings per security

	2017 cents	2016 cents
Basic earnings/(loss) per share - Parent	(2.90)	4.45
Diluted earnings/(loss) per share - Parent	(2.90)	3.78
Basic earnings per security - Group	14.48	29.84
Diluted earnings per security - Group	14.48	25.32
Adjustments for calculation of diluted earnings per stapled security		
Options exercised but not yet issued as shares	-	4,982,206
Weighted average number of ordinary stapled securities and potential ordinary stapled securities	532,334,533	32,897,879

Note 7 Dividends and distributions

Dividends and distributions are recognised when declared.

	2017 \$'000	2016 \$'000
Distributions paid:		
Fully franked ordinary dividend to pre IPO PHL shareholders on 15 August 2016	9,667	-
Capital distribution to pre IPO PT unitholders on 15 August 2016	21,082	-
Profit distribution to PLG securityholders on 3 March 2017	16,275	-
	47,024	-

The balance of franking account at the end of the year was \$399,624 (2016: \$1,290,373).

Property Portfolio Assets

In this section

This section details the assets which are used to generate the Group's performance and are considered to be the most relevant to the operations of the Group. The assets are detailed in the following notes:

Investment properties: relates to freehold investment properties.

Property, plant and equipment: relates to leasehold buildings and furniture and equipment.

Non-current assets classified as held for sale: relates to investment properties which are expected to be sold within 12 months of the balance sheet date and are currently marketed for sale.

Equity accounted investments: provides summarised financial information on joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts.

Note 8 Investment properties

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that are held to earn rentals and for capital appreciation.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are not depreciated for accounting purposes. Taxation allowances for the depreciation of buildings and plant and equipment contribute to the tax deferred component of distributions to stapled securityholders.

When an investment property is disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

(a) Reconciliation

	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period	6,471	5,857
Property acquisitions	583,978	-
Property sales	(32,966)	-
Capital expenditure	17,624	-
Less: classified as held for sale	(31,550)	-
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	1,365	12
Net fair value gain on investment property	27,834	602
Closing balance at the end of the period	572,756	6,471

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$3,175,570 (2016: \$11,941).

(b) Fair value measurement - investment property, investment property held for sale and property classified as property, plant and equipment

Each property is considered a separate asset class based on its unique nature, characteristics and risk. The Group's policies on investment property valuations require that:

- management provide Directors with a view of the fair value of each property as each six-monthly reporting date approaches;
- where the view indicates the fair value of a property may materially differ from the current carried value, the Directors require that management procure an independent external valuation; and
- all properties in the portfolio are to be subject to an independent external valuation at least once in any 24 month period.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

In accordance with policies, management provided the Directors with a view of property carrying values in May 2017. Following the presentation, five properties (representing 28% of the total investment property portfolio value at 30 June 2017) were required to be independently valued by external valuers, and the remaining 25 properties (representing 72% of the investment property portfolio) were internally assessed. Following the assessments, the Directors instructed that the respective property carrying values be adjusted to the value determined under each of the above processes.

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Fair value hierarchy

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to Note 12(b)(iv)).

Valuation techniques used to derive fair values

The fair value is measured using capitalisation of net market income, discounted cash flow (DCF) approaches and comparable sales where appropriate.

Capitalisation (cap) approach

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a market value. The higher/lower the capitalisation rate is adopted, the lower/higher the valuation of a property.

Discounted cash flows (DCF) approach

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment properties have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs	Key unobservable inputs	
	2017 \$'000	2016 \$'000			2017 \$'000	2016 \$'000
Investment properties	604,306	6,471	Cap Approach	Capitalisation rate	6.15% - 10.5% (avg 7.21%)	6.75% - 7% (avg 6.875%)
			DCF Approach	Discount rate	7.50% - 12.5% (avg 7.11%)	8%

Key estimates: inputs used to measure fair value of investment properties and leasehold buildings

Judgement is required in determining the following key assumptions;

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of investment properties	2017	22,877	(21,309)
	2016	312	(290)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of investment property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of investment properties	2017	8,769	(8,567)
	2016	128	(125)

Note 9 Property, plant and equipment

Property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property - leasehold buildings

Leasehold buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less accumulated depreciation for buildings (refer to Note 8 for more details).

Increases in the carrying amount arising on revaluation of buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against the revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation

The depreciable amount is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
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Property - leasehold buildings	2.6% p.a.
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(a) Property, plant and equipment - reconciliation

	2017 \$'000	2016 \$'000
Leasehold buildings at fair value		
Opening balance at the beginning of the period	-	-
Leasehold property acquisitions	91,703	-
Capital expenditure on leasehold property	106	-
Capitalised straight-lining of fixed increases in operating leases	331	-
Capitalised straight-lining of fixed increases in ground leases	(1,883)	-
Depreciation	(2,140)	-
Net fair value gain/(loss) on leasehold property	9,483	-
Closing balance at the end of the period	97,600	-
Other plant and equipment at cost		
Office leasehold improvements	350	448
Office equipment	104	113
Total other plant and equipment	454	561
Total property, plant and equipment	98,054	561

The carrying amount of leasehold buildings includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to (\$3,486,532) (2016: \$Nil).

Leasehold buildings consist of one property - Melbourne Markets. The property has been internally valued at 30 June 2017 at \$97.6m.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(b) Fair value measurement

Fair value hierarchy

The fair values of property, plant and equipment recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to Note 12(b)(iv)).

Refer to Note 8(b) for valuation techniques and key estimates and judgements used to measure fair value of leasehold buildings.

The Group's leasehold buildings have been valued adopting the following key unobservable inputs:

	Fair value		Valuation technique	Key unobservable inputs		
	2017 \$'000	2016 \$'000			2017 \$'000	2016 \$'000
Leasehold buildings	97,600	–	Cap Approach	Capitalisation rate	7.25%	N/A
			DCF Approach	Discount rate	8.75%	N/A

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of Melbourne Markets property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of leasehold buildings	2017	3,376	(3,151)
	2016	-	-

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of Melbourne Markets property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of leasehold buildings	2017	1,529	(1,495)
	2016	-	-

Note 10 Non-current assets classified as held for sale

Investment property is transferred to non-current assets held for sale when:

- the property is available for immediate sale in its present condition; and
- the Trustee is committed to a plan to sell the property at its current fair value with a marketing program initiated; and
- a sale is expected within one year

Investment properties held for sale continue to be measured at fair value and are presented separately as current items in the consolidated statement of financial position.

As at 30 June 2017 two of the Group's investment properties with a fair value of \$31.55m have been classified as held for sale. The sale of 150-156 McCredie Road, Smithfield, NSW was settled on 12 July 2017 for \$23m. The sale of 8 Sylvania Way, Lisarow, NSW is expected to settle by 30 November 2017 for \$9.63m.

Note 11 Equity accounted investments

(a) Information about principal joint ventures

Set out below are the material joint ventures of the Group. The entities listed below are unit trusts in which the Group holds equity. The proportion of equity held by the Group does not equal the voting rights held by the Group. The entities are controlled jointly with the external investors. The below entities were formed in Australia and their principal activity is property investment in Australia.

For the year ended 30 June 2017

(b) Summarised financial information for equity accounted investments

Set out below is the summarised financial information for equity accounted investments, adjusted where necessary to reflect any differences in accounting policies between the Group and the investee:

30 June 2017	Propertylink Enhanced Partnership \$'000	50 Ann Propertylink Enhanced Partnership \$'000	PAIP Investment Partnership ¹ \$'000	Auslog Holdings Trust ² \$'000	PHL Moelis Braeside Trust ³ \$'000	POP II Investment Partnership ⁴ \$'000	Propertylink Commercial Industrial Investments \$'000	Propertylink Australian Industrial Partnership II \$'000	POP III Investment Partnership \$'000	Total \$'000
Group's share (%)	25.00%	25.00%	0.00%	0.00%	10.00%	20.00%	7.50%	3.93%	11.21%	
Proportion of voting rights	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	7,378	2,550	-	-	268	1	1,018	2,903	1,220	15,338
Total current assets	8,187	2,603	-	-	563	706	1,036	4,111	1,457	18,663
Total non-current assets	160,833	145,252	-	-	49,330	31,163	29,000	252,113	108,700	776,391
Current financial liabilities	(81)	-	-	-	(207)	-	(131)	(212)	(95)	(726)
Other current liabilities	(3,371)	(2,999)	-	-	(532)	(304)	(718)	(5,431)	(1,349)	(14,704)
Non-current financial liabilities	(74,479)	(64,936)	-	-	(23,948)	-	(17,313)	(138,849)	(55,991)	(375,516)
Net assets	91,089	79,920	-	-	25,206	31,565	11,874	111,732	52,722	404,108
Group's share of joint venture's net assets	22,772	19,980	-	-	2,521	6,313	889	4,405	6,466	63,345
Summarised financial performance for the year ended 30 June 2017										
Revenue	34,640	(7,262)	252	7,698	8,182	1,665	2,437	12,395	15,057	75,064
Depreciation and amortisation	(62)	-	-	-	-	-	-	(1,169)	-	(1,231)
Interest income	5	1	628	3	1	1,755	12	66	2 0	2,491
Interest expense	(2,861)	(389)	-	(1,035)	(898)	-	(731)	(2,903)	(1,887)	(10,704)
Other expenses	(4,964)	(583)	(12)	(1,679)	(721)	-	(466)	(7,695)	(2,752)	(18,872)
Profit/(loss) from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit/(loss) after tax from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Total comprehensive income/(loss)	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Group's share of joint venture's total comprehensive income	6,690	(2,058)	304	499	656	684	94	27	1,640	8,536
Distribution received	1,145	-	629	273	191	425	83	249	215	3,210

1 PT sold its investment in PAIP Investment Partnership immediately prior to the IPO on 15 August 2016, but received income distributions for the period 1 July to 15 August 2016.

2 The assets held by Auslog Holdings Trust were sold in February 2017 and the trust has been wound up.

3 The asset held by PHL Moelis Braeside Trust was sold in July 2017. Refer to Note 24 for more details.

4 The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017. Refer to Note 24 for more details.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(b) Summarised financial information for equity accounted investments (continued)

30 June 2016	Propertylink Enhanced Partnership \$'000	50 Ann Propertylink Enhanced Partnership \$'000	PAIP Investment Partnership \$'000	Auslog Holdings Trust \$'000	PHL Moelis Braeside Trust \$'000	POP II Investment Partnership \$'000	Propertylink Commercial Industrial Investments \$'000	Propertylink Australian Industrial Partnership II \$'000	POP III Investment Partnership \$'000	Total \$'000
Group's share (%)	0.00%	0.00%	25.00%	10.00%	10.00%	20.00%	7.50%	3.95%	6.00%	
Proportion of voting rights	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	-	-	11	1,389	516	1	919	54,957	1,974	59,766
Total current assets	-	-	1,671	1,636	765	922	1,047	70,695	2,242	78,977
Total non-current assets	-	-	86,424	69,000	42,849	31,073	29,000	32,522	99,017	389,884
Current financial liabilities	-	-	-	(1,337)	(410)	(500)	(235)	(273)	(2,069)	(4,825)
Other current liabilities	-	-	(1,325)	-	(703)	(420)	(798)	(675)	-	(3,921)
Non-current financial liabilities	-	-	-	(41,667)	(22,137)	-	(17,249)	(18,702)	(56,821)	(156,576)
Net assets	-	-	86,771	27,632	20,363	31,074	11,765	83,567	42,368	303,539
Group's share of associate's net assets	-	-	21,693	2,763	2,036	6,215	882	3,297	2,527	39,414
Summarised financial performance										
Revenue	-	-	21,418	6,352	6,960	8,806	1,604	2,193	1,693	49,024
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	4,838	-	3	1,760	7	14	6	6,628
Interest expense	-	-	-	(1,788)	(898)	-	(479)	(543)	(546)	(4,253)
Other expenses	-	-	(2)	(454)	(2,399)	-	(2,859)	(2,679)	(484)	(8,877)
Profit/(loss) from continuing operations	-	-	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit/(loss) after tax from continuing operations	-	-	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Total comprehensive income/(loss)	-	-	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Group's share of joint venture's total comprehensive income	-	-	6,563	411	367	2,119	(130)	(19)	40	9,352

Capital and Financial Risk Management and Working Capital

In this section

The Directors' overall financial risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Note 12 Capital and financial risk management outlines how the Group manages its exposure to a variety of financial risks (credit risk, liquidity risk and interest rate risk) and details of the various derivative financial instruments entered into by the Group.

The capital structure of the Group is detailed in the following notes:

Debt: Borrowings in Note 13 and Commitments and contingencies in Note 14.

Equity: Contributed equity in Note 15 and Reserves in Note 16.

Note 17 provides a breakdown of the working capital balances held in the Statement of Financial Position.

Note 12 Capital and financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bills and interest rate swaps derivatives.

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	20,002	3,959
Loans and receivables	4,472	4,008
Derivative financial instruments	644	-
Total financial assets	25,118	7,967
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	11,207	10,166
— Borrowings	255,926	22,802
Total financial liabilities	267,133	32,968

(a) Capital risk management

Management manages the capital of the Group in order to maintain an acceptable debt to total tangible assets ratio, provide the securityholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary equity capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management assesses the Group's financial risks and adjusts its capital structure in response to changes in these risks and the market. These responses may include the review of debt levels, review of distributions to securityholders, and issue of new securities.

The Group has a target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio:

	2017 \$'000	2016 \$'000
Total interest bearing liabilities ¹	257,000	22,938
Cash and cash equivalents	20,002	3,959
Total tangible assets ²	797,754	55,362
Gearing ratio³	30.5%	36.9%
Gearing ratio (look-through)⁴	35.2%	N/A

1 Total interest bearing liabilities exclude unamortised borrowing costs.

2 Total tangible assets comprise total assets less intangible assets.

3 The gearing ratio is calculated as total interest bearing liabilities less cash and cash equivalents divided by total tangible assets less cash and cash equivalents.

4 The look-through gearing ratio is calculated on the same basis, by including the Group's underlying interest in debt, cash and tangible assets of equity accounted investments.

For the year ended 30 June 2017

(b) Financial risk management

Management meets monthly to analyse financial risk and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the Board of Directors. Financial risk management policies are reviewed and approved by the Board at least annually, including credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rates.

(i) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group manages credit risk by:

- maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness;
- utilisation of systems for the approval, granting and renewal of credit limits;
- regular monitoring of exposures against credit limits;
- obtaining collateral where necessary in the form of tenant bonds;
- regular monitoring of the financial stability of significant customers and counterparties. Credit terms are generally 30 to 45 days from the date of invoice; and
- investing surplus funds in financial institutions that maintain a high credit rating or in entities that the senior executives have otherwise assessed as being financially sound.

The maximum exposure to credit risk at balance date to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets. The Group manages credit risk by ensuring that appropriate due diligence is carried out before entering into lease agreements with tenants. Receivable balances are regularly reviewed to reduce exposure to bad debts.

(ii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by:

- preparing forward-looking cash flows for its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial assets and liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liability.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Financial liability and financial asset maturity analysis

	Within 1 Year		1 to 5 years		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Secured bank loans ¹	8,771	13,876	284,007	-	292,778	13,876
Trade and other payables	11,207	10,166	-	-	11,207	10,166
Derivative financial instruments ²	211	-	-	-	211	-
Other loans	-	9,062	-	-	-	9,062
Total expected outflows	20,189	33,104	284,007	-	304,196	33,104
Financial assets - cash flows realisable						
Cash and cash equivalents	20,002	3,959	-	-	20,002	3,959
Trade, term and loan receivables	4,228	3,894	-	-	4,228	3,894
Derivative financial instruments ²	-	-	937	-	937	-
Total expected inflows	24,230	7,853	937	-	25,167	7,853
Net (outflow) / inflow on financial instruments	4,041	(25,251)	(283,070)	-	(279,029)	(25,251)

1 Refer to Note 13. Includes estimated fees and interest.

2 Derivative financial instruments comprise of interest rate swaps, for which only the net interest cash flows (not the notional principal) are included. Refer to note 12(c) for fair value of derivatives.

The Group manages the liquidity required to meet its current liabilities from operating cash flows. Non-current liabilities in respect of bank loans are managed by way of renegotiation or from the sale of assets.

(iii) Market risk

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2017, after taking into account the effect of interest rate swaps, 69.1% of the Group's borrowings are hedged (30 June 2016: Nil).

The net notional amount of variable rate debt (i.e. interest bearing loans net of interest rate swaps) and effective hedge rate are set out below:

	Note	2017	2016
		\$'000	\$'000
Bank facilities	13	257,000	13,876
Less notional amount of interest rate swaps		(177,500)	-
Unhedged debt		79,500	13,876
Hedge rate (%)		69.1%	0.0%

Sensitivity analysis

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

- The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for the period, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing interest rate swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

These sensitivities also assume that the movement in a particular variable is independent of other variables.

	2017		2016	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Increase in interest rate by 0.5%	(398)	2,811	(69)	(69)
Decrease in interest rate by 0.5%	398	(2,539)	69	69

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior year.

(iv) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

All financial instruments were measured at Level 2 for the periods presented in this report.

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value estimation

The fair values of financial assets and financial liabilities equal their carrying value presented in the consolidated statement of financial position.

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- The valuation techniques applied to fair value of derivatives employ the use of market observable inputs and include swap models which use present value calculations. The model incorporates various inputs including the credit quality of counterparties and forward rates.
- Fair values of the Group's interest bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 30 June 2017. As at 30 June 2017, the fair value of the Group's interest bearing borrowings and loans is \$257m.

(c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A hedge is where a derivative is used to manage an underlying exposure and the Group uses derivatives, such as interest rate swaps, to hedge its risks associated with interest rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

At inception, the Group can elect to formally designate and document the relationship between certain hedge derivative instruments (interest rate swaps) and the associated hedged items (bank borrowings). The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in OCI are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the firm commitment is met.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item.

At 30 June 2017, the Group had interest rate swap agreements in place with a notional amount of \$177.5m (30 June 2016: \$Nil) whereby the Group receives a variable rate and pays a fixed rate of interest of between 1.83% and 2.54%. The interest rate swaps are being used to manage the Group's interest rate risk exposure to changes in the cash flow of its secured bank loan and are formally designated as cash flow hedges.

The aggregate fair value of the interest rate swaps at the end of the reporting period was an asset of \$644,279 (30 June 2016: \$Nil).

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of derivatives is determined using recognised valuation techniques and the principles of IFRS 13 Fair Value Measurement. The interest rate swaps are classified in Level 2 of the fair value measurement hierarchy (refer to Note 12(b)(iv)).

Note 13 Borrowings

Borrowings are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	2017 \$'000	2016 \$'000
Current		
Bank loan secured	-	13,876
Borrowing costs	-	(136)
Loan others	-	9,062
Total current borrowings	-	22,802
Non-current		
Bank loan secured	257,000	-
Borrowing costs	(1,074)	-
Total non-current borrowings	255,926	-
Total borrowings	255,926	22,802

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

The bank loan is a commercial bill facility and is priced at a margin over 90-day BBSY rate. The facility is secured against the Group's investment properties and property, plant and equipment, and by guarantees provided to the financier by certain Group entities. The facility is split into two tranches, a \$150m facility drawn to \$145m expiring on 15 August 2019, and a \$150m facility drawn to \$112m expiring on 15 August 2021.

The Group has been in compliance with all debt covenants during the year.

Refer to Note 12 for details on the Group's exposure to risks associated with financial liabilities.

Note 14 Commitments and contingencies

(a) Commitments

(i) Lease payable commitments

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

The Group makes non-cancellable ground lease payments on land on which the Melbourne Markets operate. The ground leases have fixed escalation clauses, and expire on 30 September 2055. The improvements constructed on the leased land are classified as Property, Plant and Equipment. The Group also makes lease payments on its office premises. Commitments for minimum lease payments in relation to non-cancellable leases are as follows:

	2017 \$'000	2016 \$'000
Within 1 year	1,162	592
After 1 year, but not more than 5 years	8,979	5,043
More than 5 years	102,199	-
	112,340	5,635

(ii) Lease receivable commitments

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income.

The Group has entered into leases on its property portfolio. Industrial property leases typically have initial lease terms of between 5 and 10 years and include clauses to enable periodic fixed upward revision.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 \$'000	2016 \$'000
Within 1 year	48,216	502
After 1 year, but not more than 5 years	114,250	950
More than 5 years	32,392	2
	194,858	1,454

(b) Contingencies

At 30 June 2017 the Group had no significant contingent assets or liabilities (30 June 2016: \$3.16m liability).

Note 15 Contributed equity

(a) Contributed equity of shareholders of the parent entity

	Note	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period		40,598	27,256
Issue of ordinary equity, net of transaction costs		-	13,342
Reallocation of capital to other stapled entity's capital ¹	15(b)	(35,234)	-
Closing balance at the end of the period		5,364	40,598

(b) Contributed equity of unitholders of other stapled entities

	Note	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period		-	-
Issue of ordinary equity		497,292	-
Less security issue costs		(7,320)	-
Reallocation of capital from the parent entity's capital ¹	15(a)	35,234	-
Closing balance at the end of the period		525,206	-

¹ PHL and PT were stapled prior to the IPO in August 2016, however, for Australian Financial Services Licence reasons no capital was able to be allocated from PHL to PT until Propertylink Investment Management Limited, the Responsible Entity, was granted a retail licence. Capital was reallocated from PHL to PT as part of the IPO restructuring process, and the amount reallocated was determined having regard to a number of factors, including the amount of capital invested by PT.

(c) Number of securities on issue

	2017 No. of securities	2016 No. of securities
Opening balance at the beginning of the period	43,808,247	27,862,792
Issue of additional equity	558,972,083	15,945,455
Closing balance at the end of the period	602,780,330	43,808,247

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

(d) Initial public offer

On 15 August 2016, the Propertylink Group completed a series of transactions which resulted in the stapling of PHL, PT and PAIP to form the listed Propertylink Group. PHL and PT were previously stapled, and since 15 August 2016 a stapled security comprises one PHL share, one PT unit and one PAIP unit. The stapled securities cannot be traded or dealt with separately.

During the IPO process PHL incurred transaction costs totalling \$24.199m. In accordance with Australian Accounting Standards, \$16.879m in costs have been charged to the Statement of Profit or Loss, and \$7.32m have been recognised as security issue costs in equity. PHL has re-charged \$7.32m in issue costs to PT (\$4.77m) and PAIP (\$2.55m) as capital raised was allocated to those two entities in those proportions.

As part of the IPO process, there were also a series of equity restructure steps required in order to ensure that the three entities could be stapled to form the listed Propertylink Group. Those steps included a capital reorganisation in the PAIP Group, the issue of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recognition of a liability for a performance fee payable to PHL by the PAIP existing investors.

For the year ended 30 June 2017

Note 16 Reserves

(a) Reserves

	2017 \$'000	2016 \$'000
Asset revaluation reserve		
Opening balance at the beginning of the period	-	-
Changes in the fair value of leasehold buildings	9,483	-
Closing balance at the end of the period	9,483	-
Cash flow hedge reserve		
Opening balance at the beginning of the period	-	-
Changes in the fair value of cash flow hedges	644	-
Closing balance at the end of the period	644	-
Capital reserve		
Opening balance at the beginning of the period	(20,556)	-
Equity restructure	(24,087)	(20,556)
Closing balance at the end of the period	(44,643)	(20,556)
Total reserves	(34,516)	(20,556)

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising from revaluation of leasehold buildings classified as Property, plant and equipment in the Statement of Financial Position.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

Capital reserve

The movement in the capital reserve during the 2017 year was the result of a series of equity restructuring steps required to staple PAIP to PHL and PT to enable the completion of the IPO on 15 August 2016. The 2016 equity restructure movement in the capital reserve resulted from the acquisition of a non-controlling interest (for further details, refer to Propertylink Group's 2016 Financial Statements).

Note 17 Working capital

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(b) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

	2017 \$'000	2016 \$'000
Rent receivable	1,074	9
Less: provision for doubtful debts	(4)	-
Total rent receivables	1,070	9
Fee receivable	1,814	2,450
Distribution receivable	471	376
Other receivables	873	1,060
Deposits paid	244	86
Loans	-	27
Total current trade and other receivables	4,472	4,008

(c) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2017 \$'000	2016 \$'000
Trade payables	2,128	1,218
Other payables and accrued expenses	7,031	8,612
GST payable	1,156	288
Bonds payable	892	48
	11,207	10,166

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Other Disclosures

In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

Note 18 Intangible assets

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of the acquisition.

	2017 \$'000	2016 \$'000
Goodwill		
Cost	4,566	4,566
Intangible assets net carrying amount	4,566	4,566

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. An impairment loss is recognised in the Statement of Comprehensive Income for the amount by which the asset's carrying amount exceeds its recoverable amount.

Management carry out a review of the recoverable amount of its goodwill at least annually. There has been no change in the carrying value of the goodwill as a result of the reviews.

Note 19 Security-based payments

	2017 \$'000	2016 \$'000
Staff bonuses ¹	558	-
Directors' fees ²	260	-
Consulting fees ³	223	-
Executive KMP ⁴	842	-
	1,883	-

- Staff were awarded bonus payments as a result of the performance fee earned. The bonus payments were partly cash and partly security based. This note details the security based bonus portion. The ordinary securities granted are escrowed until results for the 2017 financial year are released, and vest at that date provided staff remain employed by Propertylink.
- Directors' fees of \$260,000 were generated in the form of fully vested ordinary securities for additional duties performed in relation to the IPO. These fees also included in Note 22(a) Key management personnel compensation.
- Consulting fees of \$224,000 to Blue Gum Capital Pty Ltd, an entity associated with Anthony Ryan, were generated in the form of fully vested ordinary securities in relation to advice provided to PHL in the process of preparing for the IPO. These fees are also included in Note 22(b)(ii) Fees paid to key management personnel's related parties.
- Executive KMP have rights to security based payments in certain performance and service related circumstances. For full details of these rights refer to the Remuneration Report.

Note 20 Auditors' remuneration

	2017 \$'000	2016 \$'000
Audit fees¹		
KPMG - audit and review of Financial Statements	425	-
KPMG - other assurance services	57	-
Bentleys - audit and review of Financial Statements	-	144
PwC Australia ² - audit and review of Financial Statements	17	8
Total audit fees	499	152
Transaction and other services fees		
KPMG - IPO related work	450	-
Bentleys - other	5	-
Total transaction and other services fees	455	-
Total audit, transaction and other services fees	954	152

- 2017 fees relate to the Propertylink Group whereas 2016 fee relate to the previously stapled PHL and PT Group (i.e. excluding PAIP).
- Fees were paid to PwC Australia for the audit of a subsidiary with an Australian Financial Services License. KPMG will audit the subsidiary for FY2017.

For the year ended 30 June 2017

Note 21 Cash flow information

Reconciliation of net profit to net cash flows from operating activities

	30-Jun-2017	30-Jun-2016
	\$'000	\$'000
Profit after income tax	77,086	8,330
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Valuation (gains) on investment property	(27,834)	(602)
Net gain on disposal of investment properties	(5,689)	-
Net loss on disposal of investments	438	-
Depreciation and amortisation expense	2,285	200
Amortisation and write off of borrowing costs	1,873	159
Amortisation of leasing costs	173	-
Straight-lining rental income adjustments	(1,697)	(11)
Straight-lining lease expense adjustments	1,883	-
Deferred tax credited to capitalised share issue costs	-	231
Valuation (gains)/losses on investment in joint ventures	(3,829)	(5,947)
	(32,397)	(5,970)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivable	(464)	(2,172)
(Increase)/decrease in other assets	(1,546)	(53)
(Increase)/decrease in deferred tax assets	(4,435)	(603)
Increase in trade and other payables	17	7,995
Increase/(decrease) in income tax payable	3,383	(219)
Increase/(decrease) in provisions (excluding provision for dividend)	195	389
	(2,850)	5,337
Net cash flows from operating activities	41,839	7,697

Note 22 Related parties

(a) Key management personnel

Key management personnel compensation

	2017	2016
	\$'000	\$'000
Short-term benefits	3,234	394
Long-term benefits	333	-
Post-employment benefits	114	-
Security-based payments	1,102	-
	4,783	394

The basis of amounts disclosed in FY2017 changed compared with amounts disclosed in FY2016 as a result of the IPO.

Equity instruments disclosures relating to key management personnel

The relevant interest in PLG stapled securities held during the period by each key management personnel, including their personally related parties, are set out below:

	Opening balance 1-Jul-2016	Net acquisitions/ disposals	Performance rights granted	Closing balance 2017
Directors	16,680,863	4,276,670	898,877	21,856,410
Other key management personnel	180,500	559,143	-	739,643
Total	16,861,363	4,835,813	898,877	22,596,053

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

There were no loans with key management personnel or their related parties during the year ended 30 June 2017 and 30 June 2016.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2017 \$'000	2016 \$'000
i. Fee income from key management personnel's related parties		
Project management fees - Nix Anderson Pty Ltd (associated with Derek Nix) ¹	65	-
Rent received - Blue Gum Capital Pty Ltd (associated with Anthony Ryan)	55	-
	120	-
ii. Fees paid to key management personnel's related parties		
Management services - Echo Capital Holdings Trust ("ECHT") ²	-	2,167
Project management fees - Nix Anderson Pty Ltd (associated with Derek Nix) ¹	57	119
Consulting fees - Blue Gum Capital Pty Ltd (associated with Anthony Ryan) ³	223	-
	280	2,286

¹ Project management fees received from and paid to Nix Anderson Pty Ltd were for project management services provided on normal commercial terms and conditions.

² Under arrangement in place in FY2016, ECHT provided management services to PHL. Stuart Dawes, Stephen Day and Peter McDonald are associated with ECHT.

³ Consulting fees paid to Blue Gum Capital Pty Ltd for advice to PHL in connection with the IPO.

Note 23 Parent entity disclosures

The following information represents the standalone financial information for Propertylink (Holdings) Limited.

	2017 \$'000	2016 \$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	27,779	77,198
Non-current assets	5,589	3,950
TOTAL ASSETS	33,368	81,148
LIABILITIES		
Current liabilities	81,102	44,826
Non-current liabilities	31	19,233
TOTAL LIABILITIES	81,133	64,059
EQUITY		
Issued capital	5,364	40,500
Capital reserve	(25,110)	(20,556)
Retained earnings	(16,596)	(2,855)
Dividends provided	(11,423)	-
TOTAL EQUITY	(47,765)	17,089
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Profit after income tax	(15,498)	1,505
Total comprehensive income¹	(15,498)	1,505

¹ Total comprehensive income for the year ended 30 June 2017 includes an expense of \$20.0m related to debt forgiveness of part of a loan to PT, and IPO costs of \$16.879m.

Note 24 Events after the reporting period

On 21 July 2017, settlement occurred on the sale of 320 Pitt Street, Sydney for a sale price of \$275m. The property was managed by the Group and was owned by Propertylink Office Partnership II (POP II) Trust in which the Group has a 5% interest. The property was the only asset of the POP II group. As a result of the sale, PHL as manager, became entitled to a performance fee of approximately \$17.5m. No part of this fee was accrued at 30 June 2017. PT will also receive its underlying 5% equity investment in POP II when the trust is wound up.

On 25 July 2017, settlement occurred on the sale of 90-110 Mills Road, Braeside, which was the only property asset of PHL Moelis Braeside Trust, in which the Group has a 10% interest. As a result of the sale PHL as manager became entitled to a performance fee of approximately \$1m, and PT will receive its 10% equity investment in the trust when it is wound up.

On 15 July 2017, PAIP settled the sale of 150-156 McCredie Road, Smithfield, for a contract price of \$23m, as a result of a sale contract entered into in June 2017.

During July 2017, PT invested \$20m in acquiring additional units in Propertylink Australian Industrial Partnership II (PAIP II), taking its equity investment in PAIP II to approximately \$25m, which equates to a 17.13% economic interest.

Since the end of the year, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Directors' Report or the Financial Statements that has significantly or may significantly affect the operations of the Group, or state of the Group's affairs in future financial periods.

Note 25 Business combinations

On 15 August 2016 the Propertylink Group completed an initial public offering (IPO), resulting in a listing of its securities on the ASX. On that date the units in PAIP were stapled to the units in PT and the shares in PHL, resulting in the consolidation of PAIP with a corresponding 100% non-controlling interest.

PAIP generates a stable rental income from the ownership of a diversified portfolio of industrial investment properties in Australia. Stapling of PAIP to PHL and PT on 15 August 2016 allowed the Group to achieve its key objective of listing on the ASX so as to provide securityholders with superior, risk adjusted returns.

Information required to be disclosed by Australian Accounting Standards is already included in these Financial Statements, and the following additional disclosure completes the information:

	PAIP from 15-Aug-2016 to 30-Jun- 2017 \$'000	Pro-forma PLG Group ² from 1-Jul-2016 to 30-Jun-2017 \$'000
Revenue		
Property revenue	56,774	65,336
Net fair value gain on investment property	27,442	27,604
Other income	5,951	51,939
Total revenue and other income	90,167	144,879
Expenses		
Property expenses	(15,977)	(18,416)
Finance costs	(9,645)	(14,204)
Other expenses	(6,909)	(31,830)
Total expenses	(32,531)	(64,450)
Profit after income tax¹	57,636	78,329
Other comprehensive income		
Changes in the fair value of cash flow hedges	644	644
Revaluation gains on property, plant and equipment	9,483	9,686
Total comprehensive income	67,763	88,659

1 No income tax applicable to PAIP.

2 These pro-forma figures include the PAIP revenue and expenses from 1 July 2016 to 30 June 2017 as though PAIP was a group member for the entire twelve month period.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Key assets and liabilities of PAIP at the date of business combination

	As at 15 August 2016 \$'000
Assets acquired	
Investment properties	583,978
Property, plant and equipment	91,703
Cash and other current assets	20,949
Total assets	696,630
Liabilities assumed	
Creditors and other current liabilities	12,200
Bank loans	337,735
Other loans	346,695
Total liabilities	696,630
Net assets acquired through stapling arrangements	-

Note 26 Interests in subsidiaries

The subsidiaries listed below have either share capital consisting solely of ordinary shares or units in unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business and country of incorporation or registration is Australia.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

	2017 %	2016 %		2017 %	2016 %
Parent Entity:					
Propertylink (Holdings) Ltd (stapled entities - Propertylink Trust and Propertylink Australian Industrial Partnership)					
Subsidiaries of Propertylink (Holdings) Limited			Controlled entities of Propertylink Australian Industrial Partnership		
Propertylink Trust	0% (100% NCI)	0% (100% NCI)	PHL Hold Trust	100%	-
Propertylink Australian Industrial Partnership	0% (100% NCI)	-	PHL Hold Trust 2	100%	-
BRV Nominees Pty Ltd	-	100%	PHL NW Trust	100%	-
Propertylink Funds Management Pty Ltd	100%	100%	PHL V Trust	100%	-
Propertylink Admin Management Pty Ltd	100%	100%	PHL Q Trust	100%	-
Propertylink Capital Pty Ltd	100%	100%	PHL DX Trust	100%	-
Propertylink Services Management Pty Ltd	100%	100%	PHL MM Trust	100%	-
Propertylink Investment Management Pty Ltd	100%	100%	PHL U Trust	100%	-
Infralink (Australasia) Pty Ltd	100%	100%	PHL N Pike Street Trust	100%	-
MITSA Pty Ltd	100%	100%	PAIP N Airds Road Trust	100%	-
Propertylink (Australasia) Pty Ltd	100%	100%	PAIP N Beaumont Road Trust No 2	100%	-
Propertylink WIM Pty Ltd	100%	100%	PAIP N Beaumont Road Trust No 3	100%	-
Propertylink PAIP Pty Ltd	100%	100%	PAIP N Beaumont Road Trust No 11	100%	-
Propertylink Nominees Pty Ltd	100%	100%	PAIP N Beaumont Road Trust No 12	100%	-
BBR 15 Pty Ltd	100%	100%	PAIP N Beaumont Road Trust No 15	100%	-
PAIP II MA Nominees Pty Ltd	100%	100%	PAIP N Boundary Road Trust	100%	-

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

	2017 %	2016 %		2017 %	2016 %
PAIP II BA Nominees Pty Ltd	100%	100%	PAIP N Brunner Road Trust	100%	-
PEP Nominees I Pty Ltd	100%	-	PAIP N Gundah Road Trust	100%	-
PEP Nominees II Pty Ltd	100%	-	PAIP N Mandarin Street Trust	100%	-
PEP Nominees III Pty Ltd	100%	-	PAIP N McCredie Road Trust	100%	-
			PAIP N Newton Road Trust No 1	100%	-
Controlled entities of Propertylink Trust			PAIP N Newton Road Trust No 2	100%	-
PAIP PT	-	100%	PAIP N Niagara Close Trust	100%	-
PT Moelis Trust	100%	100%	PAIP N Orierton Road Trust	100%	-
Propertylink Office Partnership Trust	100%	100%	PAIP N Pike Street Trust No 2	100%	-
POP 73 Miller Trust	100%	100%	PAIP N Rodborough Road Trust No 1	100%	-
POP II PT	100%	100%	PAIP N Rodborough Road Trust No 2	100%	-
PAIP II PT	100%	100%	PAIP N Sylvania Way Trust	100%	-
POP III PT	100%	100%	PAIP V Cherry Lane Trust	100%	-
PEP PT	100%	-	PAIP V Lakes Drive Trust	100%	-
50 Ann PEP PT	100%	-	PAIP V Main Road Trust	100%	-
			PAIP V Mt Derrimut Road Trust	100%	-
			PAIP V National Boulevard Trust	100%	-
			PAIP V Ricketts Road Trust	100%	-
			PAIP V Strezlecki Avenue Trust	100%	-
			PAIP V Taryn Drive Trust	100%	-
			PAIP V Whiteside Road Trust	100%	-
			PAIP V Woodlands Drive Trust	100%	-
			PAIP WA Leadership Way Trust	100%	-
			PAIP WA McDowell Street Trust	100%	-
			PAIP WA Modal Crescent Trust	100%	-

Note 27 Company details

The registered office of the company is:

Level 29, 20 Bond Street

SYDNEY NSW 2000

Directors' Declaration

In accordance with a resolution of Propertylink (Holdings) Limited, the Directors declare that:

1. The Financial Statements and notes, as set out on pages 45 to 81, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards, which, as stated in the "About this Report" section of the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Chief Executive Officer

14 August 2017



Independent Auditor's Report

To the stapled security holders of Propertylink Group

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Propertylink Group (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 2017 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 2017
- 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** consists of Propertylink (Holdings) Limited and the entities it controlled at the year-end or from time to time during the financial year, Propertylink Trust and the entities it controlled at the year-end or from time to time during the financial year and Propertylink Australian Industrial Partnership and the entities it controlled at the year-end or from time to time during the financial 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 and Propertylink (Holdings) Limited 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 Matter** we identified for the Stapled Group is:

- Valuations of property assets held as Investment Property, Property, Plant & Equipment or through Equity Accounted Investments

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.

Valuations of property assets held as Investment Property, Property, Plant & Equipment or through Equity Accounted Investments

Refer to Note 8 'Investment Properties' (A\$572.76m), Note 9 'Property, Plant & Equipment' (A\$98.05m) and Note 11 'Equity Accounted Investments' (A\$63.35m) to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Stapled Group's investment in property assets comprise freehold property held as Investment Property or leasehold property held as Property, Plant & Equipment, and indirectly, through investment in managed funds, which in turn own property.</p> <p>The Stapled Group is required to assess the fair value of all property assets. The valuation of property assets is a key audit matter as they:</p> <ul style="list-style-type: none"> • are significant in value, • contain a number of significant assumptions which require estimation for each individual property. These significant assumptions include: <ul style="list-style-type: none"> • Earnings capitalisation rates, • Discount rates, • Market rents, • Vacancy levels, • Projections of capital expenditure, • Leasing incentives. <p>These estimates lead to additional audit effort often due to the large number of differing assumptions and valuation models, across varying asset classes and geographies.</p> <p>Valuations of property assets are performed at each reporting period using the Stapled Group's internal valuation methodologies or by engaging external valuation experts. External valuations are obtained on property assets on a rotational basis at least once every two years with internal valuations performed when external valuations are not obtained.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> • Understanding the Stapled Group's processes regarding the valuation of property assets and testing controls for preparing (for internal), reviewing and approving the Stapled Group's valuations based on Stapled Group policies, and • Assessing the methodologies used in the valuations of property assets for consistency with accounting standards and Stapled Group policies. <p>For a sample of properties in significant asset classes and across differing models:</p> <ul style="list-style-type: none"> • Assessing the scope, competence and objectivity of external independent experts engaged by the Stapled Group and internal valuers; • Challenging key assumptions including earnings capitalisation rates, discount rates, market rent, vacancy levels, projections of capital expenditure and leasing incentives by comparing to commentary published by industry experts, recent market transactions and/or our knowledge of historical performance of the asset.



Other Information

Other Information is financial and non-financial information in Propertylink Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Propertylink (Holdings) Limited are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do 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.

Responsibilities of the Directors for the Financial Report

The Directors of Propertylink (Holdings) Limited 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. 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_files/ar2.pdf. This description forms part of our Auditor's Report.



Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Propertylink (Holdings) Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

The Directors of the Propertylink (Holdings) 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 33 to 43 of the Directors' report for the year ended 30 June 2017.

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

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink that reads 'SGatt'.

Steven Gatt
Partner

Sydney
14 August 2017

Report on the financial report

We have audited the accompanying financial report of Propertylink Group, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Propertylink Group, would be in the same terms if provided to the directors as at the time of this auditor's report.

Auditor's opinion

In our opinion:

- (a) the financial report of Propertylink Group is in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- (b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Name of Firm: _____

Name of Partner: _____

Address: _____

Dated this

day of

2017

Top 20 Securityholders at 3 August 2017

Rank	Name	Number of stapled securities	% of issued capital
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	178,898,888	29.68%
2	J P MORGAN NOMINEES AUSTRALIA LIMITED	124,660,765	20.68%
3	NATIONAL NOMINEES LIMITED	43,318,269	7.19%
4	CITICORP NOMINEES PTY LIMITED	37,772,965	6.27%
5	BNP PARIBAS NOMS (NZ) LTD	23,348,944	3.87%
6	NATIONAL NOMINEES LIMITED	21,807,961	3.62%
7	PAN AUSTRALIAN NOMINEES PTY LTD	9,108,018	1.51%
8	BNP PARIBAS NOMS PTY LTD	7,918,094	1.31%
9	ECHO HILL INVESTMENTS PTY LIMITED	7,131,446	1.18%
10	BNP PARIBAS NOMINEES PTY LTD	5,550,968	0.92%
11	NORTHBRIDGE INVESTMENTS PTY LTD	5,540,858	0.92%
12	NEWECONOMY COM AU NOMINEES PTY LIMITED	3,274,925	0.54%
13	STAG PTY LTD	2,448,611	0.41%
14	NATIONAL NOMINEES LIMITED ACCOUNT DB DOMESTIC	2,259,009	0.37%
15	CITICORP NOMINEES PTY LIMITED	2,015,464	0.33%
16	JBWERE (NZ) NOMINEES LTD	1,829,892	0.30%
17	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,807,134	0.30%
18	JBWERE (NZ) NOMINEES LTD	1,500,000	0.25%
19	CS FOURTH NOMINEES PTY LIMITED	1,490,591	0.25%
20	BRISPTOT NOMINEES PTY LTD	1,369,533	0.23%
Total top 20 securityholders		483,052,335	80.14%
Balance of register		119,727,995	19.86%
Total securities on issue		602,780,330	100.00%

Substantial holders at 3 August 2017

The names of substantial holders, who at 3 August 2017 have notified the Responsible Entity in accordance with section 671B of the *Corporations Act 2001*, are:

Name	Number of stapled securities	% voting
Westpac Banking Corporation	41,510,290	6.89%
BT Investment Management Limited	53,583,917	8.89%
Salt Funds Management Ltd	45,248,546	7.51%
The Vanguard Group Inc.	36,434,624	6.04%
Perpetual Limited	30,520,081	5.06%

Class of securities

Propertylink Group has one class of stapled security trading on the ASX with securityholders holding stapled securities at 3 August 2017.

Spread of securities at 3 August 2017

Range	Securities	%	No. of holders
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15
TALAVERA ROAD

Propertylink Trust

Financial Report for 2017

thinking property

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The Directors of Propertylink Investment Management Limited (PIML), the Responsible Entity (RE) of Propertylink Trust (ARSN 613 032 750), present their report, together with the consolidated Financial Statements for the year ended 30 June 2017 (referred to as "year"), for Propertylink Trust and its controlled entities (referred to as "PT" or the "Group").

On 15 August 2016 the PT units, having been previously stapled to shares in Propertylink (Holdings) Limited (PHL), were also stapled to units in Propertylink Australian Industrial Partnership (PAIP) to form the listed Propertylink Group. Since that time a stapled security comprises one PT unit, one PHL share, and one PAIP unit, and the stapled securities cannot be traded or dealt with separately.

Further details of the IPO can be found in the Prospectus and Product Disclosure Statement (PDS), and the Supplementary Prospectus and Product Disclosure Statement (Supplementary PDS), which may be found on the Propertylink website www.propertylink.com.au.

Principal activity

The principal activity of the Group during the year was co-investing with global institutional investors in industrial and commercial property assets. There have been no significant changes in the nature of the Group's activities since the date of establishment.

Directors

The following persons were Directors of PIML at all times during the year and up to the date of this Report, unless otherwise stated.

Director	Appointed	Resigned
Peter Lancken	5 July 2016	
Stuart Dawes	7 February 2014	
Stephen Day	30 April 2009	
David Epper	5 July 2016	3 April 2017
Tony Groth	20 January 2012	5 July 2016
Ian Hutchinson	5 July 2016	
Sarah Kenny	20 July 2017	
Peter McDonald	5 July 2016	20 July 2017
Derek Nix	5 July 2016	
Anthony Ryan	5 July 2016	
Christopher Ryan	5 July 2016	

Operating and financial review

The annual Financial Statements include profits generated by the Group from 1 July 2016 to 30 June 2017.

The Group's financial performance for the year is summarised in the following paragraphs. In order to fully understand the results, readers should refer to the full Financial Statements.

Significant operational events

Significant operational events during the year included:

- sale of PT's equity interest in PAIP as a pre-requisite to the IPO;
- A capital distribution to pre-IPO equity owners of PT funded by the sale of the equity interest in PAIP; and
- establishing a 25% equity investment in a new investment fund, Propertylink Enhanced Partnership (PEP), in August 2016; and
- establishing a 25% equity investment in a new investment fund, 50 Ann Propertylink Enhanced Partnership (50 Ann PEP), in April 2017.

Review of financial accounts

PT's total comprehensive income for the year ended 30 June 2017 (FY2017) was \$28.896m (million), compared with total comprehensive income of \$7.087m for the year ended 30 June 2016 (FY2016). The comprehensive income in FY2017 included \$20.0m in income derived from a non-recurring commercial debt forgiveness agreement with PHL.

Distributions

The following distributions have been paid to securityholders during FY2017:

Declared and paid during FY2017	Cents per security	Date of payment
Distribution paid to pre-IPO securityholders by PT	48.0	15 August 2016

Significant changes in state of affairs

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year under review other than those outlined in this Responsible Entity Report or the accompanying Financial Statements.

Likely developments and expected results of operations

In the opinion of the Directors, other than information already outlined in this Responsible Entity Report or the accompanying Financial Statements, any further disclosure regarding business strategies, future developments, or results, would be unreasonably prejudicial to the Group.

Events after the reporting date

Securityholders are advised of the following matters which occurred after 30 June 2017:

- On 21 July 2017 Propertylink Office Partnership II (POP II) trust settled the sale of 320 Pitt Street, Sydney, which was the only property asset of the POP II group. As a result of the sale, PT will receive its underlying 5% equity investment in POP II when the trust is wound up.
- On 25 July 2017, a confidential mandate settled the sale of 90-110 Mills Road, Braeside, which was the only property asset of that trust. As a result of the sale, PT will receive its 10% equity investment in the trust when it is wound up.
- During July 2017, PT invested \$20m in acquiring additional units in PAIP II, taking its equity investment in PAIP II to approximately \$25m.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 3 and forms part of this Responsible Entity Report.

Rounding of amounts

Propertylink Trust is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to rounding of amounts in the Directors' Report and the Financial Statements. Amounts in the Responsible Entity Report and the Financial Statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' authorisation

This Responsible Entity Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 August 2017. The Directors have the power to amend and reissue the Financial Statements.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Chief Executive Officer

14 August 2017



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

To the Directors of Propertylink Investment Management Limited, the Trustee
of Propertylink Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of Propertylink Trust for the financial year ended 30 June 2017 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.

A handwritten signature in black ink, appearing to read 'S. Gatt'.

KPMG

A handwritten signature in black ink, appearing to read 'S. Gatt'.

Steven Gatt
Partner

Sydney
14 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
Revenue			
Property rental income		568	513
Share of net profit of joint ventures	6(b)	8,536	9,352
Other income			
Net fair value gain on investment property	5(a)	392	602
Gain/(loss) on disposal of investments		(438)	-
Interest received		-	1
Other income	2(b)	20,000	-
Total revenue and other income		29,058	10,468
Expenses			
Property expenses		(151)	(136)
Trust management fees		-	(3,245)
Legal and consultancy fees		(7)	-
Administration and other expenses		(4)	-
Total expenses		(162)	(3,381)
Profit before income tax		28,896	7,087
Tax (expense)/income		-	-
Profit after income tax		28,896	7,087
Other comprehensive income		-	-
Total comprehensive income		28,896	7,087
		Cents	Cents
Earnings per unit on profit/(loss) attributable to unitholders			
Basic and diluted earnings/(loss) per unit	3	5.43	25.39

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 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
CURRENT ASSETS			
Trade and other receivables		472	580
Related party loans	10(b)	389,886	-
TOTAL CURRENT ASSETS		390,358	580
NON-CURRENT ASSETS			
Equity accounted investments	6(b)	63,345	39,414
Investment properties	5(a)	6,836	6,471
TOTAL NON-CURRENT ASSETS		70,181	45,885
TOTAL ASSETS		460,539	46,465
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		-	45
Related party loans		-	38,639
TOTAL CURRENT LIABILITIES		-	38,684
TOTAL LIABILITIES		-	38,684
NET ASSETS		460,539	7,781
EQUITY			
Contributed equity	9(a)	444,943	-
Retained earnings/(accumulated losses)		15,596	7,781
TOTAL EQUITY		460,539	7,781

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 2017

	Note	Contributed equity \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2015		-	694	694
Comprehensive income for the year		-	7,087	7,087
Securities issued during the year	9	-	-	-
Securities issue costs		-	-	-
Distributions paid or provided for	4	-	-	-
Balance at 30 June 2016		-	7,781	7,781
Balance at 1 July 2016		-	7,781	7,781
Comprehensive income for the period		-	28,896	28,896
Capital reallocation	9	449,714	-	449,714
Securities issued during the period		-	-	-
Securities issue costs	9	(4,771)	-	(4,771)
Equity restructure		-	-	-
Distributions paid or provided for	4	-	(21,082)	(21,082)
Balance at 30 June 2017		444,943	15,596	460,539

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		-	-
Interest received		-	-
Payments to suppliers and employees		-	-
Net cash provided by/(used by) operating activities		-	-
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		-	-
Loan (payments)/proceeds from related parties		-	-
Payment for investment in joint ventures		-	-
Net cash used by investing activities		-	-
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		-	-
Proceeds from borrowings		-	-
Distributions paid		-	-
Net cash provided by financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of financial year		-	-
Cash and cash equivalents at the end of the period		-	-

The Group does not maintain a bank account and all transactions are entered into by a related party. Accordingly, there are no cash transactions to report.

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2017

About this Report

In this section

This section sets out the basis upon which the Group's Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

(a) Basis of preparation

Propertylink Group stapled securities are quoted on the Australian Securities Exchange under the "PLG" code and comprise one share in Propertylink (Holdings) Limited (PHL) and one unit in each of Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT). These Financial Statements represent the consolidated results of PT and its controlled entities (together the "Group").

The separate financial statements of the parent entity, Propertylink Trust, have not been presented within these Financial Statements as permitted by the *Corporations Act 2001*. Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

The financial report was authorised for issue by the Responsible Entity, Propertylink Investment Management Limited, on 15 August 2017.

These general purpose Financial Statements have been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.

The Financial Statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

These Financial Statements are prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Under their respective constitutions, PT, PHL and PAIP are entitled to have regard to the interests of all members of the stapled group. Accordingly, each member has provided the other members with a letter of financial support.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Judgements and estimates which are material to the financial report are discussed in the following notes:

- Investment properties Note 5

(b) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of the Propertylink Trust and all of the subsidiaries.

(i) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 13. The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

For the year ended 30 June 2017

(ii) Joint arrangements

Investments in joint arrangements are classified as joint ventures based on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement.

Joint ventures

Investments in joint ventures are accounted for using the equity method. Under this method, the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the joint venture. In addition, the Group's share of the profit or loss of the joint venture is included in the Group's profit or loss.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the joint venture. Upon the joint venture subsequently making profits, the Group will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

(c) Income tax

Under current Australian income tax legislation, the Group is not liable to pay income tax provided unitholders are presently entitled to all the distributable income of the Group each year. The liability for capital gains tax that may arise if the units were sold is not accounted for in these consolidated Financial Statements.

(d) New Accounting Standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 *Financial Instruments* (effective application for the Group is 1 July 2018).

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Group intends to apply the standard from 1 July 2018. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the consolidated Financial Statements.

AASB 15: *Revenue from Contracts with Customers* (effective application for the Group is 1 July 2018).

AASB 15 *Revenue from Contracts with Customers* clarifies the principles for recognition revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statement at the application date. The Group intends to apply the standard from 1 July 2018.

AASB 16: *Leases* (effective application for the Group is 1 July 2019).

AASB 16 *Leases* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statements at the application date. The Group intends to apply the standard from 1 July 2019.

(e) Notes to the financial statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business;
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management	Other disclosures
1. Operating segments	5. Investment properties	7. Capital and financial risk management	10. Related parties
2. Revenue	6. Equity accounted investments	8. Commitments and contingencies	11. Parent entity disclosures
3. Earnings per unit		9. Contributed equity	12. Events after the reporting period
4. Distributions			13. Interests in subsidiaries
			14. Trust details

For the year ended 30 June 2017

Group Performance

In this section

This section explains the results and performance of the Group. It provides additional information about those individual line items in the Financial Statements that the Directors consider most relevant in the context of the operations of the Group.

Note 1 Operating segments

(a) Description of segments

The Trustee has been identified as the Group's chief operating decision maker (CODM) as it is responsible for the strategic decision making within the Group. The Group's operating segments have been determined based on the internal information that is provided to the CODM and which is used to make strategic decisions. The Group operates in one reportable segment: the Australian commercial and industrial property investment. Together with its investment partners, PT acquires and leases commercial and industrial property within the geographical location of Australia.

Note 2 Revenue

(a) Revenue recognition

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. The portion of rental income relating to fixed increases in operating lease rentals in future periods is capitalised and recognised as a separate component of the investment property.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free months, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are accounted for on a straight-line basis over the lease term and included in rental income in the statement of profit or loss. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

Service charges, management charges and other outgoings recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable and is classified as outgoings recovery income.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

Dividends and distributions

Dividends and distributions are recognised as income when the right to receive payment is established.

(b) Other income

	2017	2016
	\$'000	\$'000
Other income:		
— Related party loan forgiven	20,000	-
Total other income	20,000	-

Note 3 Earnings per security

Earnings per security are determined by dividing the net profit attributable to securityholders by the weighted average number of ordinary securities outstanding during the period. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities.

(a) Net profit used in calculating basic and diluted earnings per unit

	2017	2016
	\$'000	\$'000
Profit after income tax	28,896	7,087

(b) Weighted average number of units used as a denominator

	2017	2016
	No. of securities	No. of securities
Weighted average number of ordinary units used in calculation of basic and diluted earnings per unit	532,334,533	27,915,673

(c) Basic and diluted earnings per unit

	2017	2016
	cents	cents
Basic and diluted earnings per unit	5.43	25.39

Note 4 Distributions

Distributions are recognised when declared.

	2017	2016
	\$'000	\$'000
Distributions paid:		
Capital distribution to pre IPO PT securityholders	21,082	-
	21,082	-

In May 2016 the Group and its investment partners in PAIP agreed to work towards an IPO involving the stapling of Propertylink Trust units and PAIP units to Propertylink securities. The IPO was completed on 15 August 2016. In order to avoid a cross shareholding on completion of the stapling of Propertylink Group with PAIP, PT sold its investment interest in PAIP for approximately \$21.2m immediately prior to the stapling on 15 August 2016. Proceeds from the sale of this investment funded a special distribution of 48c per unit to PT securityholders at the record date of 12 August 2016.

Property Portfolio Assets

In this section

This section details the assets which are used to generate the Group's performance and are considered to be the most relevant to the operations of the Group. The assets are detailed in the following notes:

Investment properties: relates to freehold investment properties.

Equity accounted investments: provides summarised financial information on joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts.

Note 5 Investment properties

Investment property comprises completed property and property under construction or re-development (including integral plant and equipment) that are held to earn rentals and for capital appreciation.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are not depreciated for accounting purposes. Taxation allowances for the depreciation of buildings and plant and equipment contribute to the tax deferred component of distributions to stapled securityholders.

When an investment property is disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

(a) Reconciliation

	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period	6,471	5,857
Property acquisition costs adjustment	(31)	-
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	4	12
Net fair value gain on investment property	392	602
Closing balance at the end of the period	6,836	6,471

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$16,553 (2016: \$11,941).

(b) Fair value measurement classified as property, plant and equipment

Each property is considered a separate asset class based on its unique nature, characteristics and risk. The Group's policies on investment property valuations require that:

- management provide Directors with a view of the fair value of each property as each six-monthly reporting date approaches;
- where the view indicates the fair value of a property may materially differ from the current carried value, the Directors require that management procure an independent external valuation; and
- all properties in the portfolio are to be subject to an independent external valuation at least once in any 24 month period.

In accordance with policies, management provided the Directors with a review of the property at 73 Miller St. Following the presentation, the property was internally assessed. Following the assessments, the Directors instructed that the property carrying value be adjusted to the value determined under the above process.

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Fair value hierarchy

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to Note 7(b)(iii)).

Valuation techniques used to derive fair values

The fair value is measured using capitalisation of net market income, discounted cash flow (DCF) approaches and comparable sales where appropriate.

Capitalisation approach

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a core value. The higher/lower the capitalisation rate is adopted, the lower/higher the valuation of a property.

Discounted cash flows (DCF) approach

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment properties have been valued with the following key unobservable inputs adopted:

	Fair value		Valuation technique	Key unobservable inputs		
	2017 \$'000	2016 \$'000			2017 \$'000	2016 \$'000
Investment properties	6,836	6,471	Cap Approach	Capitalisation rate	6.75%	6.85%
			DCF Approach	Discount rate	8.25%	8.00%

Key estimates: inputs used to measure fair value of investment properties and leasehold buildings

Judgement is required in determining the following key assumptions;

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of investment properties	2017	314	(291)
	2016	246	(229)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of investment property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of investment properties	2017	123	(120)
	2016	128	(125)

Note 6 Equity accounted investments

(a) Information about principal joint ventures

Set out below are the material joint ventures of the Group. The entities listed below have equity of units in unit trusts. The proportion of equity held by the Group does not equal the voting rights held by the Group. The entities are controlled jointly with the external investors. The below entities were formed in Australia and their principal activity is property investment in Australia.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(b) Summarised financial information for equity accounted investments

Set out below is the summarised financial information for equity accounted investments, adjusted where necessary to reflect any differences in accounting policies between the Group and the investee:

30 June 2017	Propertylink Enhanced Partnership \$'000	50 Ann Propertylink Enhanced Partnership \$'000	PAIP Investment Partnership ¹ \$'000	Auslog Holdings Trust ² \$'000	PHL Moelis Braeside Trust ³ \$'000	POP II Investment Partnership ⁴ \$'000	Propertylink Commercial Industrial Investments \$'000	Propertylink Australian Industrial Partnership II \$'000	POP III Investment Partnership \$'000	Total \$'000
Group's share (%)	25.00%	25.00%	0.00%	0.00%	10.00%	20.00%	7.50%	3.93%	11.21%	
Proportion of voting rights	50.00%	50.00%	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	
Summarised financial position										
Cash and cash equivalents	7,378	2,550	-	-	268	1	1,018	2,903	1,220	15,338
Total current assets	8,187	2,603	-	-	563	706	1,036	4,111	1,457	18,663
Total non-current assets	160,833	145,252	-	-	49,330	31,163	29,000	252,113	108,700	776,391
Current financial liabilities	(81)	-	-	-	(207)	-	(131)	(212)	(95)	(726)
Other current liabilities	(3,371)	(2,999)	-	-	(532)	(304)	(718)	(5,431)	(1,349)	(14,704)
Non-current financial liabilities	(74,479)	(64,936)	-	-	(23,948)	-	(17,313)	(138,849)	(55,991)	(375,516)
Net assets	91,089	79,920	-	-	25,206	31,565	11,874	111,732	52,722	404,108
Group's share of joint venture's net assets	22,772	19,980	-	-	2,521	6,313	889	4,405	6,465	63,345
Summarised financial performance for the year ended 30 June 2017										
Revenue	34,640	(7,262)	252	7,698	8,182	1,665	2,437	12,395	15,057	75,064
Depreciation and amortisation	(62)	-	-	-	-	-	-	(1,169)	-	(1,231)
Interest income	5	1	628	3	1	1,755	12	66	20	2,491
Interest expense	(2,861)	(389)	-	(1,035)	(898)	-	(731)	(2,903)	(1,887)	(10,704)
Other expenses	(4,964)	(583)	(12)	(1,679)	(721)	-	(466)	(7,695)	(2,752)	(18,872)
Profit/(loss) from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit/(loss) after tax from continuing operations	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Total comprehensive income/(loss)	26,758	(8,233)	868	4,987	6,564	3,420	1,252	694	10,438	46,748
Group's share of joint venture's total comprehensive income	6,690	(2,058)	304	499	656	684	94	27	1,640	8,536
Distribution received	1,145	-	629	273	191	425	83	249	215	3,210

1 The Group sold its investment in PAIP Investment Partnership immediately prior to the IPO on 15 August 2016, but received income distributions for the period 1 July to 15 August 2016.

2 The assets held by Auslog Holdings Trust were sold in February 2017 and the trust has been wound up.

3 The asset held by PHL Moelis Braeside Trust was sold in July 2017. Refer to Note 12 for more details.

4 The asset held by POP II, in which POP II Investment Partnership has 20% interest, was sold in July 2017. Refer to Note 12 for more details.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(b) Summarised financial information for equity accounted investments (continued)

30 June 2016	Propertylink Enhanced Partnership \$'000	50 Ann Propertylink Enhanced Partnership \$'000	PAIP Investment Partnership \$'000	Auslog Holdings Trust \$'000	PHL Moelis Braeside Trust \$'000	POP II Investment Partnership \$'000	Propertylink Commercial Industrial Investments \$'000	Propertylink Australian Industrial Partnership II \$'000	POP III Investment Partnership \$'000	Total \$'000
Group's share (%)	0.00%		25.00%	10.00%	10.00%	20.00%	7.50%	3.95%	6.00%	-
Proportion of voting rights	0.00%	0.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	50.00%	-
Summarised financial position										
Cash and cash equivalents	-	-	11	1,389	516	1	919	54,957	1,974	59,766
Total current assets	-	-	1,671	1,636	765	922	1,047	70,695	2,242	78,977
Total non-current assets	-	-	86,424	69,000	42,849	31,073	29,000	32,522	99,017	389,884
Current financial liabilities	-	-	-	(1,337)	(410)	(500)	(235)	(273)	(2,069)	(4,825)
Other current liabilities	-	-	(1,325)	-	(703)	(420)	(798)	(675)		
Non-current financial liabilities	-	-	-	(41,667)	(22,137)	-	(17,249)	(18,702)	(56,821)	(156,576)
Net assets	-	-	86,771	27,632	20,363	31,074	11,765	83,567	42,368	307,460
Group's share of associate's net assets										
	-	-	21,693	2,763	2,036	6,215	882	3,297	2,527	39,414
Summarised financial performance										
Revenue	-	-	21,418	6,352	6,960	8,806	1,604	2,193	1,693	49,024
Depreciation and amortisation	-	-	-	-	-	-	-	-	-	-
Interest income	-	-	4,838	-	3	1,760	7	14	6	6,628
Interest expense	-	-	-	(1,788)	(898)	-	(479)	(543)	(546)	(4,253)
Other expenses	-	-	(2)	(454)	(2,399)	-	(2,859)	(2,679)	(484)	(8,877)
Profit/(loss) from continuing operations	-	-	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Income tax expense	-	-	-	-	-	-	-	-	-	-
Profit/(loss) after tax from continuing operations	-	-	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Total comprehensive income/(loss)	-	-	26,254	4,110	3,666	10,566	(1,728)	(1,014)	669	42,522
Group's share of joint venture's total comprehensive income										
	-	-	6,563	411	367	2,119	(130)	(19)	40	9,352
Distribution received	-	-	1,991	216	139	601	24	37	-	3,008

Capital and Financial Risk Management

In this section

The directors' overall financial risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Note 7 Capital and financial risk management outlines how the Group manages its exposure to a variety of financial risks (credit risk, liquidity risk and interest rate risk) and details of the various derivative financial instruments entered into by the Group.

The capital structure of the Group is detailed in the following notes:

Debt: Commitments and contingencies in Note 8;

Equity: Contributed equity in Note 9;

Note 7 Capital and financial risk management

The Group's financial instruments consist mainly of accounts receivable and payable, and loans to and from related parties.

	2017 \$'000	2016 \$'000
Financial assets		
Loans and receivables	472	580
Related party loans	389,886	-
Total financial assets	390,358	580
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	-	45
— Related party loans	-	38,639
Total financial liabilities	-	38,684

(a) Capital risk management

Management manages the capital of the Group in order to maintain an acceptable debt to total tangible assets ratio, provide the securityholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary units capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management assesses the Group's financial risks and adjusts its capital structure in response to changes in these risks and the market. These responses may include the review of debt levels, review of distributions to securityholders, and issue of new securities.

(b) Financial risk management

Management meets monthly to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Management operates under policies approved by the Board of Directors. Financial risk management policies are reviewed and approved by the Board on a regular basis including credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rates and other price risk.

For the year ended 30 June 2017

(i) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group manages credit risk by:

- maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness;
- utilisation of systems for the approval, granting and renewal of credit limits;
- regular monitoring of exposures against credit limits;
- obtaining collateral where necessary in the form of tenant bonds;
- regular monitoring of the financial stability of significant customers and counterparties. Credit terms are generally 30 to 45 days from the date of invoice; and
- investing surplus funds in financial institutions that maintain a high credit rating or in entities that the senior executives have otherwise assessed as being financially sound.

The maximum exposure to credit risk at balance date to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets. The Group manages credit risk by ensuring that appropriate due diligence is carried out before entering into lease agreements with tenants. Receivable balances are regularly reviewed to reduce exposure to bad debts.

(ii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by:

- preparing forward-looking cash flows for its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates.

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Trade and other payables	-	45	-	-	-	45
Related party loans	-	38,639	-	-	-	38,639
Total expected outflows	-	38,684	-	-	-	38,684
	Within 1 year		1 to 5 years		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets cash flows realisable						
Trade and other receivables	472	580	-	-	472	580
Related party loans	389,886	-	-	-	389,886	-
Total expected inflows	390,358	580	-	-	390,358	580
Net (outflow) / inflow on financial instruments	390,358	(38,104)	-	-	390,358	(38,104)

The Group manages the liquidity required to meet its current liabilities from operating cash flows. Non-current liabilities in respect of related party loans are managed by way of renegotiation or from the sale of assets.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(iii) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability: or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated financial statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value estimation

The fair values of financial assets and financial liabilities equal their carrying value presented in the consolidated statement of financial position.

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.

Note 8 Commitments and contingencies

(a) Commitments

Lease receivable commitments

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Group has entered into leases on its property portfolio. Industrial property leases typically have initial lease terms of between 5 and 10 years and include clauses to enable periodic fixed upward revision.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 \$'000	2016 \$'000
Within 1 year	524	502
After 1 year, but not more than 5 years	548	947
More than 5 years	-	-
	1,072	1,448

(b) Contingencies

At 30 June 2017 the Group had no significant contingent assets or liabilities (30 June 2016: \$Nil). As a member of the stapled Propertylink Group, the Group has a contingent liability in the form of guarantees granted to the senior debt provider. The guarantees effectively provide a charge over the Group's assets.

Note 9 Contributed equity

(a) Contributed equity

	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period	-	-
Reallocation of capital from other stapled entity's capital subscribed in IPO process ¹	449,714	-
Securities issue cost	(4,771)	-
Closing balance at the end of the period	444,943	-

¹ PHL and PT were stapled prior to the IPO in August 2016, however, for Australian Financial Services Licence reasons no capital was able to be allocated from PHL to PT until Propertylink Investment Management Limited, the Responsible Entity, was granted a retail licence. Capital was reallocated from PHL to PT as part of the IPO restructuring process, and the amount reallocated was determined having regard to a number of factors, including the amount of capital invested by PT.

(b) Number of securities on issue

	2017 No. of securities	2016 No. of securities
Opening balance at the beginning of the period	43,808,247	27,862,792
Issue of additional equity	558,972,083	15,945,455
Closing balance at the end of the period	602,780,330	43,808,247

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

(c) Initial public offer

On 15 August 2016, the Propertylink Group completed a series of transactions which resulted in the stapling of PHL, PT and PAIP to form the listed Propertylink Group. PHL and PT were previously stapled, and since 15 August 2016 a stapled security comprises one PHL share, one PT unit and one PAIP unit. The stapled securities cannot be traded or dealt with separately.

During the IPO process PHL incurred transaction costs totalling \$24.199m. In accordance with Australian Accounting Standards, \$16.879m in costs have been charged to the Statement of Profit or Loss, and \$7.32m have been recognised as security issue costs in equity. PHL has re-charged \$7.32m in issue costs to PT (\$4.77m) and PAIP (\$2.55m) as capital raised was allocated to those two entities in those proportions.

As part of the IPO process, there were also a series of equity restructure steps required in order to ensure that the three entities could be stapled to form the listed Propertylink Group. Those steps included a capital reorganisation in the PAIP Group, the issue of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recognition of a liability for a performance fee payable to PHL by the PAIP existing investors.

Other disclosures

In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations, but which are not considered critical in understanding the financial performance or position of the Group.

Note 10 Related parties

(a) Key management personnel

Equity instruments disclosures relating to key management personnel

The relevant interest in PLG stapled securities held during the year by each key management personnel, including their personally related parties, are set out below:

	Opening balance 1-Jul-2016	Acquisitions	Performance rights granted	Closing balance 2017
Directors	16,680,863	4,276,670	898,877	21,856,410
Other key management personnel	180,500	559,143	-	739,643
Total	16,861,363	4,835,813	898,877	22,596,053

There were no loans with key management personnel or their related parties during the year ended 30 June 2017 and 30 June 2016.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2017 \$'000	2016 \$'000
i. Transactions with related parties		
Management fees paid - Propertylink Group	-	3,245
Project management fees paid - Nix Anderson Pty Ltd	57	-
Propertylink (Holdings) Ltd loan forgiven	(20,000)	-
	(19,943)	3,245
ii. Amounts receivable/(owing) from/to Propertylink Group		
Propertylink (Holdings) Ltd	77,829	(38,539)
PAIP	312,057	-
	389,886	(38,539)

Note 11 Parent entity disclosures

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2017 \$'000	2016 \$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	461,673	8,725
Non-current assets	71,734	25,643
TOTAL ASSETS	533,407	34,368
LIABILITIES		
Current liabilities	89,016	34,426
TOTAL LIABILITIES	89,016	34,426
EQUITY		
Issued capital	444,943	-
Retained earnings	(551)	(59)
TOTAL EQUITY	444,391	(59)
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Profit after income tax	20,589	(59)
Total comprehensive income¹	20,589	(59)

¹ Total comprehensive income for the parent entity for the year includes an income of \$20.0m related to debt forgiveness of part of a loan from Propertylink (Holdings) Limited.

Note 12 Events after the reporting period

On 21 July 2017, settlement occurred on the sale of 320 Pitt Street, Sydney for a sale price of \$275m. The property was owned by Propertylink Office Partnership II (POP II) Trust in which the Group has a 5% interest. The property was the only asset of the POP II group. As a result of the sale, the Group will receive its underlying 5% equity investment in POP II when the trust is wound up.

On 25 July 2017, settlement occurred on the sale of 90-110 Mills Road, Braeside, which was the only property asset of PHL Moelis Braeside Trust, in which the Group has a 10% interest. As a result of the sale the Group will receive its 10% equity investment in the trust when it is wound up.

During July 2017, the Group invested \$20m in acquiring additional units in Propertylink Australian Industrial Partnership II (PAIP II), taking its equity investment in PAIP II to approximately \$25m, which equates to a 17.13% economic interest.

Since the end of the year, other than the matters disclosed above, the Directors are not aware of any matter or circumstance not otherwise dealt with in the Responsible Entity Report or the Financial Statements that has significantly or may significantly affect the operations of the Group, or state of the Group's affairs in future financial periods.

For the year ended 30 June 2017

Note 13 Interests In subsidiaries

The subsidiaries listed below are unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business and country of incorporation or registration is Australia.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

	2017 %	2016 %
Parent Entity:		
Propertylink Trust		
Controlled entities of Propertylink Trust		
PAIP PT	-	100%
PT Moelis Trust	100%	100%
Propertylink Office Partnership Trust	100%	100%
POP 73 Miller Trust	100%	100%
POP II PT	100%	100%
PAIP II PT	100%	100%
POP III PT	100%	100%
PEP PT	100%	-
50 Ann PEP PT	100%	-

Note 14 Trust details

The registered office of the trust is:

Level 29, 20 Bond Street

SYDNEY NSW 2000

In accordance with a resolution of Propertylink Investment Management Limited, the Responsible Entity of the Propertylink Trust, the Directors declare that:

1. The Financial Statements and notes, as set out on pages 4 to 22, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in the "About this Report" section of the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group.
2. There are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Chief Executive Officer

14 August 2017



Independent Auditor's Report

To the unitholders of Propertylink Trust

Opinion

We have audited the **Financial Report** of Propertylink Trust (the Trust Financial Report).

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

- giving a true and fair view of the **Trust's** financial position as at 30 June 2017 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 Trust comprises:

- Consolidated statement of financial position as at 30 June 2017
- 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 consists of Propertylink (Holdings) Limited and the entities it controlled at the year-end or from time to time during the financial year, Propertylink Australian Industrial Partnership and the entities it controlled at the year-end or from time to time during the financial year and Propertylink Trust (the **Trust**) and the entities it controlled at the year-end or from time to time during the financial 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 Trust and Propertylink Investment Management Limited (the Trustee) 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.

Other Information

Other Information is financial and non-financial information in Propertylink Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Stapled Group and the Trustee are responsible for the Other Information.



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

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.

Responsibilities of the Directors for the Financial Report

The Directors of the Trustee 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 Trust's ability to continue as a going concern. 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 Trust 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_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

Steven Gatt
Partner

Sydney
14 August 2017

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TALAVERA ROAD

Propertylink Australian Industrial Partnership

Financial Report for 2017

thinking property

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The Directors of Propertylink Investment Management Limited (PIML), the Responsible Entity (RE) of Propertylink Australian Industrial Partnership (ARSN 613 032 812), present their report, together with the consolidated Financial Statements for the year ended 30 June 2017 for Propertylink Australian Industrial Partnership and its controlled entities (referred to as "PAIP" or the "Group").

On 15 August 2016 the PAIP units were stapled to shares in Propertylink (Holdings) Limited (PHL), and to units in Propertylink Trust (PT), to form the listed Propertylink Group. Since that time a stapled security comprises one PAIP units, one PT unit, and one PHL share, and the stapled securities cannot be traded or dealt with separately.

Further details of the IPO can be found in the Prospectus and Product Disclosure Statement (PDS), and the Supplementary Prospectus and Product Disclosure Statement (Supplementary PDS), which may be found on the Propertylink web site www.propertylink.com.au.

Principal activity

The principal activity of the Group during the year was investing in industrial property assets. There have been no significant changes in the nature of the Group's activities since the date of establishment.

Directors

The following persons were Directors of PIML at all times during the year and up to the date of this Report, unless otherwise stated.

Director	Appointed	Resigned
Peter Lancken	5 July 2016	
Stuart Dawes	7 February 2014	
Stephen Day	30 April 2009	
David Epper	5 July 2016	3 April 2017
Tony Groth	20 January 2012	5 July 2016
Ian Hutchinson	5 July 2016	
Sarah Kenny	20 July 2017	
Peter McDonald	5 July 2016	20 July 2017
Derek Nix	5 July 2016	
Anthony Ryan	5 July 2016	
Christopher Ryan	5 July 2016	

Operating and financial review

The annual Financial Statements include profits generated by the PAIP group from 1 July 2016 to 30 June 2017. It is noted that in the Propertylink Group consolidated accounts the PAIP contribution only include profits generated in the period 16 August 2016 to 30 June 2017.

The PAIP's financial performance for the year is summarised in the following paragraphs. In order to fully understand the results, readers should refer to the full Financial Statements.

Significant operational events

Significant operational events during the half year included:

- a capital distribution to pre-IPO equity owners of PAIP;
- PAIP becoming part of the stapled Propertylink Group on 15 August 2016;
- a re-capitalisation of PAIP equity as a result of the IPO process;
- the settlement of the sale of 36 National Boulevard, Campbellfield, generating a profit on sale of \$136k.
- completion of 58 leasing deals during the year, resulting in an increased WALE for PAIP assets; and
- settling or exchanging six asset dispositions during the year.

Review of financial accounts

PAIP's total comprehensive income for the year ended 30 June 2017 (FY2017) was \$74.46m, compared with total comprehensive income of \$80.8m for the financial period ended 30 June 2016 (January to June 2016). It is noted that the FY2017 and the FY2016 total comprehensive income included as a finance cost the payment of preference unit distributions, required by the capital structure of PAIP which existed up to 15 August 2016. The capital was restructured for the IPO, and no preference unit distributions were payable for the period 16 August 2016 to 30 June 2017. Total comprehensive income for FY2017 included fair value gains on investment property of \$27.212m and revaluation gains on property, plant and equipment of \$9.686m.

Distributions

The following distributions have been paid to post-IPO securityholders during FY2017:

Declared and paid during FY2017	Cents per security	Date of payment
Distribution paid to post-IPO securityholders	2.7	3 March 2017

Significant changes in state of affairs

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Group that occurred during the year under review other than those outlined in this Responsible Entity Report or the accompanying Financial Statements.

Likely developments and expected results of operations

In the opinion of the Directors, other than information already outlined in this Responsible Entity Report or the accompanying Financial Statements, any further disclosure regarding business strategies, future developments, or results, would be unreasonably prejudicial to the Group.

Events after the reporting date

Securityholders are advised that on 15 July 2017 PAIP settled the sale of 150-156 McCredie Road, Smithfield, for a contract price of \$23m, as a result of a sale contract entered into in June 2017.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4 and forms part of this Directors' Report.

Rounding of amounts

PAIP is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investment Commission, relating to rounding of amounts in the Responsible Entity Report and the Financial Statements. Amounts in the Responsible Entity Report and the Financial Statements have been rounded off to the nearest thousand dollars, unless otherwise indicated.

Directors' authorisation

This Responsible Entity Report is made in accordance with a resolution of the Directors. The Financial Statements were authorised for issue by the Directors on 14 August 2017. The Directors have the power to amend and reissue the Financial Statements.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Chief Executive Officer

14 August 2017



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

To the Directors of Propertylink Investment Management Limited, the Trustee
of Propertylink Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of Propertylink Trust for the financial year ended 30 June 2017 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.

A handwritten signature in black ink, appearing to read 'S. Gatt'.

KPMG

A handwritten signature in black ink, appearing to read 'S. Gatt'.

Steven Gatt
Partner

Sydney
14 August 2017

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	1-Jul-16 to 30-Jun-17 \$'000	1-Jan-16 to 30-Jun-16 \$'000
Revenue			
Property revenue	2(b)	64,723	32,175
Other income/(expenses)			
Gain on disposal of investment property		5,689	677
Net fair value gain on investment property	7(a)	27,212	65,673
Net fair value gain/(loss) on derivatives		-	(1,223)
Other income		444	83
Total revenue and other income		98,068	97,385
Expenses			
Property expenses	3	(18,413)	(8,915)
Trust management fees		(1,148)	(1,564)
Finance costs	4	(13,866)	(17,118)
Legal and consultancy fees		(103)	(8)
Administration and other expenses		(408)	(419)
Total expenses		(33,938)	(28,024)
Profit before income tax		64,130	69,361
Tax (expense)/income		-	-
Profit after income tax		64,130	69,361
Other comprehensive income:			
Changes in the fair value of cash flow hedges		644	-
Revaluation gains on property, plant and equipment	8(a)	9,686	11,439
Total comprehensive income		74,460	80,800
		Cents	Cents
Earnings per share on profit/(loss) attributable to unitholders			
Basic earnings/(loss) per unit	5	11.98	104.41
Diluted earnings/(loss) per unit	5	11.98	104.41

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

For the year ended 30 June 2017

	Note	2017 \$'000	2016 \$'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	15(a)	14,726	5,727
Trade and other receivables	15(b)	2,056	1,079
Prepayments		1,215	1,860
Receivable from unitholders	18(b)	-	3,500
Investment properties held for sale	9	31,550	9,300
TOTAL CURRENT ASSETS		49,547	21,466
NON-CURRENT ASSETS			
Investment properties	7(a)	565,920	583,650
Property, plant and equipment	8(a)	97,600	92,000
Derivative financial instruments		644	-
TOTAL NON-CURRENT ASSETS		664,164	675,650
TOTAL ASSETS		713,711	697,116
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	15(c)	7,472	13,604
Related party loans	18(b)	333,532	-
Derivative financial instruments		-	1,278
TOTAL CURRENT LIABILITIES		341,004	14,882
NON-CURRENT LIABILITIES			
Borrowings	11	255,926	536,957
TOTAL NON-CURRENT LIABILITIES		255,926	536,957
TOTAL LIABILITIES		596,930	551,839
NET ASSETS		116,781	145,277
EQUITY			
Contributed equity	13(a)	80,263	66,431
Reserves	14(a)	(3,390)	11,439
Retained earnings		39,908	67,407
TOTAL EQUITY		116,781	145,277

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 2017

	Note	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2016		66,431	-	7,509	73,940
Comprehensive income for the period		-	11,439	69,361	80,800
Securities issued during the period	13(a)	-	-	-	-
Distributions paid or provided for	6	-	-	(9,463)	(9,463)
Balance at 30 June 2016		66,431	11,439	67,407	145,277
Balance at 1 July 2016		66,431	11,439	67,407	145,277
Comprehensive income for the year		-	10,330	64,130	74,460
Securities issued during the year	13(a)	82,813	-	-	82,813
Securities issue costs	13(a), (c)	(2,550)	-	-	(2,550)
Equity restructure	14(a), 13(c)	-	(25,159)	-	(25,159)
Distributions paid or provided for	6, 13(a)	(66,431)	-	(91,629)	(158,060)
Balance at 30 June 2017		80,263	(3,390)	39,908	116,781

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

Consolidated Statement of Cash Flows

For the year ended 30 June 2017

	Note	1-Jul-16 to 30-Jun-17 \$'000	1-Jan-16 to 30-Jun-16 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		68,295	33,765
Interest received		190	41
Payments to suppliers		(49,886)	(12,756)
Finance costs paid		(12,022)	(16,327)
Net cash provided by operating activities	17	6,577	4,723
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties		49,190	14,764
Acquisition and improvement of investment properties		(18,428)	(2,669)
Improvement of leasehold buildings		(106)	-
Loan proceeds from related parties		337,032	-
Net cash provided by investing activities		367,688	12,095
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		80,262	-
Payments to purchase derivatives		-	(63)
Proceeds from borrowings		291,640	-
Repayment of borrowings		(574,515)	(11,726)
Payments for closing out interest rate swaps		(1,279)	-
Distributions paid		(161,374)	(8,525)
Net cash (used) by financing activities		(365,266)	(20,314)
Net (decrease)/increase in cash and cash equivalents		8,999	(3,496)
Cash and cash equivalents at the beginning of financial year		5,727	9,223
Cash and cash equivalents at the end of the period		14,726	5,727

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 30 June 2017

About this Report

In this section

This section sets out the basis upon which the Group's Financial Statements are prepared.

Specific accounting policies are described in their respective notes to the Financial Statements. This section also shows information on new or amended accounting standards and their impact on the financial position and performance of the Group.

(a) Basis of preparation

Propertylink Group stapled securities are quoted on the Australian Securities Exchange under the "PLG" code and comprise one share in Propertylink (Holdings) Limited (PHL) and one unit in each of Propertylink Australian Industrial Partnership (PAIP) and Propertylink Trust (PT). These Financial Statements represent the consolidated results of PAIP and its controlled entities (together the "Group").

The separate financial statements of the parent entity, Propertylink Australian Industrial Partnership, have not been presented within these Financial Statements as permitted by the *Corporations Act 2001*. Each entity forming part of the Group continues as a separate legal entity in its own right under the *Corporations Act 2001* and is therefore required to comply with the reporting and disclosure requirements under the *Corporations Act 2001* and Australian Accounting Standards.

The financial report was authorised for issue by the Responsible Entity, Propertylink Investment Management Limited, on 14 August 2017.

These general purpose Financial Statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Amounts in these Financial Statements have been presented in Australian dollars and rounded off in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 to the nearest thousand dollars, unless otherwise indicated.

The Financial Statements except for cash flow information, have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities. Refer to the specific accounting policies within the notes to the Financial Statements for the basis of valuation of assets and liabilities measured at fair value.

The Group was stapled to the Propertylink Group on 15 August 2016. The Group previously had a 31 December year end, however, to align reporting periods with the Propertylink Group, it changed its year end to 30 June and prepared annual Financial Statements for the six months ended 30 June 2016. Comparative figures for the Statement of Profit or Loss and Other Comprehensive Income in these Financial Statements, and relevant notes thereto, are therefore required to be for the six months ended 30 June 2016, rather than for the year ended 30 June 2016, as this represents the comparative period in the immediately preceding financial year.

These Financial Statements are prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. Under their respective constitutions, PT, PHL and PAIP are entitled to have regard to the interests of all members of the stapled group. Accordingly, each member has provided the other members with a letter of financial support.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

Critical accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements may require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the assets or liabilities affected in future periods. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Judgements and estimates which are material to the financial report are discussed in the following notes:

- Investment properties Note 7
- Leasehold buildings Note 7, 8
- Derivative financial instruments Note 10

(b) Principles of consolidation

The consolidated Financial Statements incorporate all of the assets, liabilities and results of the Propertylink Australian Industrial Partnership and all of the subsidiaries.

(i) Controlled entities

Subsidiaries are all entities over which the Group has control. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the subsidiaries is provided in Note 21. The assets, liabilities and results of all subsidiaries are fully consolidated into the Financial Statements of the Group from the date on which control is obtained by the Group. The consolidation of a subsidiary is discontinued from the date that control ceases. Inter-company transactions, balances and unrealised gains or losses on transactions between Group entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

(c) Income tax

Under current Australian income tax legislation, the Group is not liable to pay income tax provided unitholders are presently entitled to all the distributable income of the Group each year. The liability for capital gains tax that may arise if the units were sold is not accounted for in these consolidated Financial Statements.

(d) New Accounting Standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period. The Group's assessment of the impact of these new standards and interpretations is set out below:

AASB 9 Financial Instruments (effective application for the Group is 1 July 2018).

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. It also sets out new rules for hedge accounting and impairment of financial assets. The Group intends to apply the standard from 1 July 2018. It is not expected that the application of this standard will have a material impact on any of the amounts recognised in the consolidated Financial Statements.

AASB 15: Revenue from Contracts with Customers (effective application for the Group is 1 July 2018).

AASB 15 *Revenue from Contracts with Customers* clarifies the principles for recognition revenue from contracts with customers. It applies to all contracts with customers except leases, financial instruments and insurance contracts. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statement at the application date. The Group intends to apply the standard from 1 July 2018.

AASB 16: Leases (effective application for the Group is 1 July 2019).

AASB 16 *Leases* introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The Group is continuing to assess the impact of this standard, however, it is not practical to quantify the impact on the consolidated Financial Statements at the application date. The Group intends to apply the standard from 1 July 2019.

(e) Notes to the Financial Statements

The notes include information which is required to understand the financial statements and is material and relevant to the operations, financial position and performance of the Group. Information is considered material and relevant if, for example:

- the amount in question is significant because of its size or nature;
- it is important in understanding the results of the Group;
- it helps to explain the impact of significant changes in the Group's business;
- it relates to an aspect of the Group's operations that is important to its future performance.

The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital and financial risk management and working capital	Other disclosures
1. Operating segments	7. Investment properties	10. Capital and financial risk management	16. Auditors' remuneration
2. Revenue	8. Property, plant and equipment	11. Borrowings	17. Cash flow information
3. Property expenses	9. Non-current assets classified as held for sale	12. Commitments and contingencies	18. Related parties
4. Finance costs		13. Contributed equity	19. Parent entity disclosures
5. Earnings per stapled security		14. Reserves	20. Events after the reporting period
6. Distributions		15. Working capital	21. Interests in subsidiaries
			22. Trust details

Group Performance

In this section

This section explains the results and performance of the Group. It provides additional information about those individual line items in the Financial Statements that the Directors consider most relevant in the context of the operations of the Group.

Note 1 Operating segments

Description of segments

The Trustee has been identified as the Group's chief operating decision maker (CODM) as it is responsible for the strategic decision making within the Group. The Group's operating segments have been determined based on the internal information that is provided to the CODM and which is used to make strategic decisions. The Group operates in one reportable segment: Australian industrial property investment – acquires, develops and leases industrial property within the geographical location of Australia.

Note 2 Revenue

(a) Revenue recognition

All revenue is stated net of the amount of goods and services tax.

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being received. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group has concluded that it is the principal in all of its revenue arrangements since it is the primary obligor, it has pricing latitude and is also exposed to credit risks.

The specific recognition criteria described below must also be met before revenue is recognised.

Rental income

The Group is the lessor in operating leases. Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and is included in revenue in the consolidated statement of profit or loss.

Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Lease incentives

Prospective lessees may be offered incentives as an inducement to enter into non-cancellable operating leases. These incentives may take various forms including rent-free months, upfront cash payments, or a contribution to certain lessee costs such as a fitout contribution. Incentives are accounted for on a straight-line basis over the lease term and included in rental income in the statement of profit or loss. The lease term is the non-cancellable period of the lease together with any further term for which the tenant has the option to continue the lease, where, at the inception of the lease, it is reasonably certain that the tenant will exercise that option.

Amounts received from tenants to terminate leases or to compensate for dilapidations are recognised in the consolidated statement of profit or loss when the right to receive them arises.

Service charges, management charges and other outgoings recoverable from tenants

Income arising from expenses recharged to tenants is recognised in the period in which the compensation becomes receivable and is classified as outgoings recovery income.

Interest income

Interest income is recognised as it accrues using the effective interest rate method.

(b) Property revenue

	2017 \$'000	2016 \$'000
Rental income	51,819	27,392
Outgoings recovery income	12,413	4,618
Straight-lining of lease incentives	292	127
Make good recovery	199	38
Total property revenue	64,723	32,175

Note 3 Property expenses

	2017	2016
	\$'000	\$'000
Council rates and land tax	5,030	2,646
Repairs, maintenance and utilities	4,326	1,980
Ground lease	2,718	283
Property management expenses	2,356	1,126
Depreciation	2,437	1,013
Property insurance costs	779	409
Other	767	1,458
Total property expenses	18,413	8,915

Note 4 Finance costs

Finance costs include interest, amortisation of borrowing costs incurred in connection with arrangement of borrowings and realised gains and losses on interest rate swaps. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

	2017	2016
	\$'000	\$'000
Interest on bank loans	9,500	6,764
Interest on preference units ¹	2,512	9,937
Borrowing costs ²	1,854	417
Total finance costs	13,866	17,118

¹ FY16 finance costs include payment of preference unit distributions, required by the capital structure of the Group which existed up to 15 August 2016. The capital was restructured for the IPO, and no preference unit distributions were payable for the period 16 August 2016 to 30 June 2017.

² Borrowing costs include \$1,451,652 in unamortised borrowing costs incurred to establish pre-IPO facilities for PAIP. The establishment of a new facility at the time of the IPO resulted in these costs being written off.

Note 5 Earnings per security

Earnings per security are determined by dividing the net profit attributable to securityholders by the weighted average number of ordinary securities outstanding during the period. Diluted earnings per security are adjusted from the basic earnings per security by taking into account the impact of dilutive potential securities.

(a) Net profit used in calculating basic and diluted earnings per security

	2017	2016
	\$'000	\$'000
Profit attributable to securityholders	64,130	69,361

(b) Weighted average number of securities used as a denominator

	2017	2016
	No. of securities	No. of securities
Weighted average number of ordinary securities used in calculation of basic and diluted earnings per security	535,185,646	66,431,204

(c) Basic and diluted earnings per security

	2017	2016
	cents	cents
Basic and diluted earnings per security	11.98	104.41

Note 6 Distributions

Dividends and distributions are recognised when declared.

	2017	2016
	\$'000	\$'000
Distributions paid:		
Profit distribution to pre-IPO PAIP securityholders	1,008	4,313
Capital distribution to pre-IPO PAIP securityholders	74,346	5,150
Profit distribution to PLG securityholders	16,275	-
	91,629	9,463

Property Portfolio Assets

In this section

This section details the assets which are used to generate the Group's performance and are considered to be the most relevant to the operations of the Group. The assets are detailed in the following notes:

Investment properties: relates to freehold investment properties.

Property, plant and equipment: relates to leasehold buildings and furniture and equipment.

Non-current assets classified as held for sale: relates to investment properties which are expected to be sold within twelve months of the balance sheet date and are currently marketed for sale.

Note 7 Investment properties

Investment property comprises completed property and property under construction or redevelopment (including integral plant and equipment) that are held to earn rentals and for capital appreciation.

Investment property is measured initially at cost, including transaction costs. The carrying amount also includes capital expenditure on investment property and components relating to lease incentives and assets relating to fixed increases in operating lease rentals in future periods.

Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise.

Investment properties are not depreciated for accounting purposes. Taxation allowances for the depreciation of buildings and plant and equipment contribute to the tax deferred component of distributions to stapled securityholders.

When an investment property is disposed of, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

(a) Reconciliation

	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period	583,650	618,856
Property acquisitions	-	-
Property sales	(32,777)	(13,898)
Less: classified as property, plant and equipment	-	(81,301)
Less: classified as held for sale	(31,550)	(9,300)
Capital expenditure	17,984	2,457
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	1,401	1,163
Net fair value gain on investment property	27,212	65,673
Closing balance at the end of the period	565,920	583,650

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to \$3,159,017 (2016: \$1,761,201).

(b) Fair value measurement - Investment property, investment property held for sale and property classified as property, plant and equipment

Each property is considered a separate asset class based on its unique nature, characteristics and risk. The Group's policies on investment property valuations require that:

- management provides Directors with a review of every investment property carried value as each six-monthly reporting date approaches;
- where the review indicates a property may materially differ from the current carried value, the Directors require that management procure an independent external valuation; and
- all properties in the portfolio are to be independently valued at least once in any 24 month period from the previous valuation.

In accordance with policies, management provided the Directors with a review of property carrying values in May 2017. Following the presentation, five properties (representing 28% of the total investment property portfolio value at 30 June 2017) were required to be independently valued by external valuers, and the remaining 24 properties (representing 72% of the investment property portfolio) were internally assessed. Following the assessments, the Directors instructed that the respective property carrying values be adjusted to the value determined under each of the above processes.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Highest and best use

For all investment property that is measured at fair value, the current use of the property is considered the highest and best use.

Fair value hierarchy

The fair values of investment property recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to Note 10(b)(iv)).

Valuation techniques used to derive fair values

The fair value is measured using capitalisation of net market income, discounted cash flow (DCF) approaches and comparable sales where appropriate.

Capitalisation approach

The capitalisation approach involves the addition of expected rent for the various components of the property and the deduction of outgoings and other expenses (where appropriate) in order to determine the net income of the property. This net market income is capitalised at the adopted capitalisation rate to derive a core value. The higher/lower the capitalisation rate is adopted, the lower/higher the valuation of a property.

Discounted cash flows (DCF) approach

The DCF approach involves discounting future net operating cash flows over a 10 year investment horizon at the adopted discount rate to derive a net present value for the property. The higher/lower the discount rate is adopted, the lower/higher the valuation of a property.

The Group's investment properties have been valued with the following key unobservable inputs adopted:

	Fair value		Valuation technique	Key unobservable inputs		
	2017 \$'000	2016 \$'000			2017 \$'000	2016 \$'000
Investment properties	597,470	592,950	Cap approach	Capitalisation rate	6.15% - 10.5% (avg 7.27%)	6.5% - 11.5% (avg 7.76%)
			DCF approach	Discount rate	7.50% - 12.5% (avg 7.08%)	8% - 11.5% (avg 8.78%)

Key estimates: inputs used to measure fair value of investment properties and leasehold buildings

Judgement is required in determining the following key assumptions;

- **Adopted capitalisation rate:** The rate at which net market rental revenue is capitalised to determine the value of a property. The rate is determined with regard to market evidence and the prior external valuation.
- **Adopted discount rate:** The rate of return used to convert cash flows, payable or receivable in the future, into present value. It reflects the opportunity cost of capital, that is, the rate of return the cash can earn if put to other uses having similar risk. The rate is determined with regard to market evidence and the prior external valuation.

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of investment property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of investment properties	2017	22,563	(21,018)
	2016	24,188	(22,733)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of investment property:

		- 25 basis points \$'000	+ 25 basis points \$'000
Change in fair value of investment properties	2017	8,646	(8,447)
	2016	10,279	(11,120)

For the year ended 30 June 2017

Note 8 Property, plant and equipment

Property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

Property - leasehold buildings

Leasehold buildings are carried at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic valuations by external independent valuers, less accumulated depreciation for buildings (refer to Note 8 for more details).

Increases in the carrying amount arising on revaluation of buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are recognised against the revaluation reserve directly in equity; all other decreases are recognised in profit or loss.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Depreciation

The depreciable amount is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
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Property - leasehold buildings	2.6% p.a.
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The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposal are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss when the item is derecognised. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

(a) Property, plant and equipment - reconciliation

	2017 \$'000	2016 \$'000
Leasehold buildings		
Opening balance at the beginning of the period	92,000	-
Property acquisitions	-	81,301
Capital expenditure	106	17
Capitalised straight-lining of fixed increases in operating leases	394	256
Capitalised straight-lining of fixed increases in ground leases	(2,149)	-
Depreciation	(2,437)	(1,013)
Net fair value gain/(loss) on property	9,686	11,439
Closing balance at the end of the period	97,600	92,000

The carrying amount of leasehold buildings includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to (\$3,486,532) (2016: \$Nil).

Leasehold buildings consist of one property - Melbourne Markets. The property has been internally assessed at 30 June 2017 at \$97.6m.

(b) Fair value measurement

Fair value hierarchy

The fair values of property, plant and equipment recognised in the consolidated statement of financial position are Level 3 of the fair value measurement hierarchy (refer to note 10(b)(iv)).

Refer to Note 7(b) for valuation techniques and key estimates and judgements used to measure fair value of leasehold buildings.

The Group's leasehold buildings have been valued with the following key unobservable inputs adopted:

	Fair value		Valuation technique	Key unobservable inputs		
	2017	2016			2017	2016
	\$'000	\$'000			\$'000	\$'000
Leasehold buildings	97,600	92,000	Cap approach	Capitalisation rate	7.25%	7.50%
			DCF approach	Discount rate	8.75%	8.75%

(c) Sensitivity information

The table below highlights the sensitivity analysis of a 25 basis point change in capitalisation rate on the fair value of Melbourne Markets property:

		- 25 basis points	+ 25 basis points
		\$'000	\$'000
Change in fair value of leasehold buildings	2017	3,376	(3,151)
	2016	2,968	(2,777)

The table below highlights the sensitivity analysis of a 25 basis point change in discount rate on the fair value of Melbourne Markets property:

		- 25 basis points	+ 25 basis points
		\$'000	\$'000
Change in fair value of investment properties	2017	1,529	(1,495)
	2016	1,565	(1,531)

Note 9 Non-current assets classified as held for sale

Investment property is transferred to non-current assets held for sale when:

- the property is available for immediate sale in its present condition, and
- the Trustee must be committed to a plan to sell the property at its current fair value with an active marketing program initiated, and
- a sale is expected within one year.

Investment properties held for sale continue to be measured at fair value and are presented separately as current items in the consolidated statement of financial position.

As at 30 June 2017 two of the Group's investment properties with a fair value of \$31.55m have been classified as held for sale. The sale of 150-156 McCredie Road, Smithfield, NSW was settled on 12 July 2017 for \$23m. The sale of 8 Sylvania Way, Lisarow, NSW is expected to settle by 30 November 2017 for \$9.63m.

Capital and Financial Risk Management and Working Capital

In this section

The directors' overall financial risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance. Note 10 *Capital and financial risk management* outlines how the Group manages its exposure to a variety of financial risks (credit risk, liquidity risk and interest rate risk) and details of the various derivative financial instruments entered into by the Group.

The capital structure of the Group is detailed in the following notes:

Debt: Borrowings in Note 11 and Commitments and contingencies in Note 12;

Equity: Contributed equity in Note 13 and Reserves in Note 14;

Note 15 provides a breakdown of the working capital balances held in the Statement of Financial Position.

Note 10 Capital and financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, bills and interest rate swaps derivatives.

	2017 \$'000	2016 \$'000
Financial assets		
Cash and cash equivalents	14,726	5,727
Loans and receivables	2,056	4,579
Derivative financial instruments	644	-
Total financial assets	17,426	10,306
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	7,472	13,604
— Borrowings	255,926	536,957
Related party loans	333,532	-
Derivative financial instruments	-	1,278
Total financial liabilities	596,930	551,839

(a) Capital risk management

Management manages the capital of the Group in order to maintain an acceptable debt to total tangible assets ratio, provide the securityholders with adequate returns, and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary equity capital and financial liabilities, supported by financial assets. There are no externally imposed capital requirements.

Management assesses the Group's financial risks and adjusts its capital structure in response to changes in these risks and the market. These responses may include the review of debt levels, review of distributions to securityholders, and issue of new securities.

The Group has a target gearing level of 30% to 40%. The table below details the calculation of the gearing ratio:

	2017 \$'000	2016 \$'000
Total interest bearing liabilities ¹	257,000	339,221
Cash and cash equivalents	14,726	5,727
Total tangible assets ²	713,711	697,116
Gearing ratio³	34.7%	48.2%

¹ Total interest bearing liabilities exclude unamortised borrowing costs.

² Total tangible assets comprise total assets less intangible assets.

³ The gearing ratio is calculated as total interest bearing liabilities less cash and cash equivalents divided by total tangible assets less cash and cash equivalents.

(b) Financial risk management

Management meets monthly to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Managements operate under policies approved by the Board of Directors. Financial risk management policies are reviewed and approved by the Board on a regular basis including credit risk policies and future cash flow requirements.

Specific financial risk exposures and management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rates and other price risk.

(i) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group manages credit risk by:

- maintaining procedures ensuring, to the extent possible, that customers and counterparties to transactions are of sound credit worthiness;
- utilisation of systems for the approval, granting and renewal of credit limits;
- regular monitoring of exposures against credit limits;
- obtaining collateral where necessary in the form of tenant bonds;
- regular monitoring of the financial stability of significant customers and counterparties. Credit terms are generally 30 to 45 days from the date of invoice; and
- investing surplus funds in financial institutions that maintain a high credit rating or in entities that the senior executives have otherwise assessed as being financially sound.

The maximum exposure to credit risk at balance date to recognised financial assets, excluding the value of any collateral or other security, is the carrying amount, net of any provisions for impairment of those assets. The Group manages credit risk by ensuring that appropriate due diligence is carried out before entering into lease agreements with tenants. Receivable balances are regularly reviewed to reduce exposure to bad debts.

(ii) Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk by:

- preparing forward-looking cash flows for its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects an undiscounted contractual maturity analysis for financial assets and liabilities. Financial guarantee liabilities are treated as payable on demand since the Group has no control over the timing of any potential settlement of the liability.

Cash flows realised from financial assets reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflect the earliest contractual settlement dates and do not reflect management's expectations that banking facilities will be rolled forward.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Total	
	2017	2016	2017	2016	2017	2016
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial liabilities due for payment						
Secured bank loans ¹	8,771	-	284,007	339,221	292,778	339,221
Trade and other payables	7,472	13,604	-	-	7,472	13,604
Derivative financial instruments ²	211	-	-	-	211	-
Total expected outflows	16,454	13,604	284,007	339,221	300,461	352,825
Financial assets - cash flows realisable						
Cash and cash equivalents	14,726	5,727	-	-	14,726	5,727
Trade, term and loan receivables	1,899	922	-	-	1,899	922
Derivative financial instruments ²	-	-	937	-	937	-
Total expected inflows	16,625	6,649	937	-	17,562	6,649
Net (outflow)/inflow on financial instruments	171	(6,955)	(283,070)	(339,221)	(282,899)	(346,176)

1 Refer to Note 11. Includes estimated fees and interest.

2 Derivative financial instruments comprise of interest rate swaps, for which only the net interest cash flows (not the notional principal) are included. Refer to Note 10(c) for fair value of derivatives.

The Group manages the liquidity required to meet its current liabilities from operating cash flows. Non-current liabilities in respect of bank loans are managed by way of renegotiation or from the sale of assets.

(iii) Market risk

Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to its long-term debt obligations with floating interest rates.

To manage interest rate risk, the Group enters into interest rate swaps, in which it agrees to exchange, at specified intervals, the difference between fixed and variable rate interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. At 30 June 2017, after taking into account the effect of interest rate swaps, 69.1% of the Group's borrowings are hedged (30 June 2016: 35.4%).

The net notional amount of variable rate debt (i.e. interest bearing loans net of interest rate swaps) and effective hedge rate are set out below:

	Note	2017	2016
		\$'000	\$'000
Bank facilities	11	257,000	339,221
Less notional amount of interest rate swaps		(177,500)	(120,000)
Unhedged debt		79,500	219,221
Hedge rate (%)		69.1%	35.4%

Sensitivity analysis

The analysis below describes reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit before tax and equity. It should be noted that the impact of movement in the variable is not necessarily linear.

- The sensitivity of the consolidated statement of profit or loss is the effect of the assumed changes in interest rates on finance income less finance expense for the period, based on the floating rate financial liabilities held at the reporting date, including the effect of hedging instruments.
- The sensitivity of equity is calculated by revaluing interest rate swaps designated as cash flow hedges, for the effects of the assumed changes in interest rates.

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

These sensitivities also assume that the movement in a particular variable is independent of other variables.

	For the 12 months to 30-Jun-2017		For the 6 months to 30-Jun-2016	
	Profit \$'000	Equity \$'000	Profit \$'000	Equity \$'000
Increase in interest rate by 0.5%	(398)	2,779	50	50
Decrease in interest rate by 0.5%	398	(2,520)	(53)	(53)

There have been no changes in any of the assumptions used to prepare the above sensitivity analysis from the prior period.

(iv) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The Group must be able to access the principal or the most advantageous market at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities, for which fair value is measured or disclosed in the consolidated Financial Statements are categorised within the fair value hierarchy (described as follows), based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the consolidated Financial Statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Fair value estimation

The fair values of financial assets and financial liabilities equal their carrying value presented in the consolidated statement of financial position.

Management has assessed that the fair values of cash and cash equivalents, trade and other receivables and trade and other payables approximate their carrying amounts largely due to the short-term maturities of these instruments. The fair value of the financial assets and liabilities is included at the amount of which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

- Receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer, and the risk characteristics of the financed project. Based on this evaluation, allowances are taken into account for the expected losses of these receivables. As at 30 June 2017, the carrying amounts of such receivables, net of allowances, were not materially different from their calculated fair values.
- Fair values of the Group's interest-bearing borrowings and loans are determined by using the DCF method using a discount rate that reflects the issuer's borrowing rate including its own non-performance risk as at 30 June 2017. As at 30 June 2017, the fair value of the Group's interest-bearing borrowings and loans was \$257m.

(c) Derivative financial instruments

A derivative is a type of financial instrument typically used to manage risk. A hedge is where a derivative is used to manage an underlying exposure and the Group uses derivatives, such as interest rate swaps, to hedge its risks associated with interest rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value with any changes in fair value recognised in the Statement of Comprehensive Income. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

At inception, the Group can elect to formally designate and document the relationship between certain hedge derivative instruments (interest rate swaps) and the associated hedged items (bank borrowings). The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in cash flows of hedged items.

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

Cash flow hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows attributable to a particular risk to a highly probable forecast transaction pertaining to an asset or liability.

Any gains or losses arising from changes in the fair value of derivatives are taken directly to profit or loss, except for the effective portion of cash flow hedges, which is recognised in other comprehensive income and later reclassified to profit or loss when the hedge item affects profit or loss.

If the forecast transaction or firm commitment is no longer expected to occur, amounts previously recognised in OCI are transferred to the statement of profit or loss. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover (as part of the hedging strategy), or if its designation as a hedge is revoked, or when the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss previously recognised in OCI remains separately in equity until the forecast transaction occurs or the firm commitment is met.

When a derivative is held as an economic hedge for a period beyond 12 months after the end of the reporting period, the derivative is classified as non-current consistent with the classification of the underlying item. A derivative instrument that is a designated and effective hedging instrument is classified consistent with the classification of the underlying hedged item.

At 30 June 2017, the Group had interest rate swap agreements in place with a notional amount of \$177.5m (30 June 2016: \$Nil) whereby the Group receives a variable rate and pays a fixed rate of interest of between 1.83% and 2.54%. The interest rate swaps are being used to manage the Group's interest rate risk exposure to changes in the cash flow of its secured bank loan and are formally designated as cash flow hedges.

The aggregate fair value of the interest rate swaps and interest rate caps at the end of the reporting period was an asset of \$644,279 (30 June 2016: liability of \$1,278,180).

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to transfer the swap at reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value of derivatives is determined by the financial institution's experts using recognised valuation techniques and the principles of IFRS 13 *Fair Value Measurement*. The interest rate swaps and caps are classified in Level 2 of the fair value measurement hierarchy (refer to Note 10(b)(iv)).

Note 11 Borrowings

Borrowings are initially recognised at fair value net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method. Under the effective interest rate method, any transaction fees, costs, discounts and premiums directly related to the borrowings are capitalised to borrowings and amortised in profit or loss over the expected life of the borrowings.

All borrowings with contractual maturities greater than 12 months after reporting date are classified as non-current liabilities.

	2017 \$'000	2016 \$'000
Non-current		
Bank loan secured	257,000	339,221
Borrowing costs	(1,074)	(1,558)
Preference units	-	199,294
Total non-current borrowings	255,926	536,957
Total borrowings	255,926	536,957

The bank loan is a commercial bill facility and is priced at a margin over 90-day BBSY rate. The facility is secured against the Group's investment properties and property, plant and equipment and by guarantees provided by other members of the stapled Propertylink Group.

The Group has been in compliance with all debt covenants during the year.

Refer to Note 10 for details on the Group's exposure to risks associated with financial liabilities.

Note 12 Commitments and contingencies

(a) Commitments

(i) Capital commitments

As at 30 June 2017, the Group had no capital commitments (30 June 2016: \$0.6m).

(ii) Lease payable commitments

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset or assets, even if that right is not explicitly specified in the arrangement.

A lease is classified at the inception date as a finance lease or an operating lease. Leases that do not transfer substantially all the risks and rewards of ownership of an asset to the Group are classified as operating leases. Operating lease payments are recognised as an operating expense in the statement of profit or loss on a straight-line basis over the lease term, except for contingent rental payments which are expensed when they arise.

The Group makes non-cancellable ground lease payments on land on which the Melbourne Markets operate. The ground leases have fixed escalation clauses, and expire on 30 September 2055. The improvements constructed on the leased land are classified as Property, Plant and Equipment. Commitments for minimum lease payments in relation to non-cancellable leases are as follows:

	2017 \$'000	2016 \$'000
Within 1 year	570	570
After 1 year, but not more than 5 years	4,825	3,414
More than 5 years	102,199	104,179
	107,594	108,163

(iii) Lease receivable commitments

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and amortised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

The Group has entered into leases on its property portfolio. Industrial property leases typically have initial lease terms of between 5 and 10 years and include clauses to enable periodic fixed upward revision of rents.

Future minimum rentals receivable under non-cancellable operating leases are as follows:

	2017 \$'000	2016 \$'000
Within 1 year	47,692	50,810
After 1 year, but not more than 5 years	113,702	125,714
More than 5 years	32,392	40,529
	193,786	217,053

(b) Contingencies

At 30 June 2017 the Group had no significant contingent assets or liabilities (30 June 2016: \$Nil).

Note 13 Contributed equity

(a) Contributed equity

	2017 \$'000	2016 \$'000
Opening balance at the beginning of the period	66,431	66,431
Capital distribution	(66,431)	-
Issue of ordinary securities	82,813	-
Less: securities issue cost	(2,550)	-
Closing balance at the end of the period	80,263	66,431

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(b) Number of securities on issue

	2017 No. of securities	2016 No. of securities
Opening balance at the beginning of the period	66,431,204	66,431,204
Issue of additional equity	536,349,126	-
Closing balance at the end of the period	602,780,330	66,431,204

Each stapled security ranks equally with all other stapled securities for the purposes of distributions and on termination of the Group.

Each stapled security entitles the holder to vote in accordance with the provisions of the Constitutions and the *Corporations Act 2001*.

(c) Initial public offer

On 15 August 2016, the Propertylink Group completed a series of transactions which resulted in the stapling of PHL, PT and PAIP to form the listed Propertylink Group. PHL and PT were previously stapled, and since 15 August 2016 a stapled security comprises one PHL share, one PT unit and one PAIP unit. The stapled securities cannot be traded or dealt with separately.

During the IPO process PHL incurred transaction costs totalling \$24.199m. In accordance with Australian Accounting Standards, \$16.879m in costs have been charged to the Statement of Profit or Loss, and \$7.32m have been recognised as security issue costs in equity. PHL has re-charged \$7.32m in issue costs to PT (\$4.77m) and PAIP (\$2.55m) as capital raised was allocated to those two entities in those proportions.

As part of the IPO process, there were also a series of equity restructure steps required in order to ensure that the three entities could be stapled to form the listed Propertylink Group. Those steps included a capital reorganisation in the PAIP Group, the issue of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recognition of a liability for a performance fee payable to PHL by the PAIP existing investors.

Note 14 Reserves

(a) Reserves

	2017 \$'000	2016 \$'000
Asset revaluation reserve		
Opening balance at the beginning of the period	11,439	-
Changes in the fair value of leasehold buildings	9,686	11,439
Closing balance at the end of the period	21,125	11,439
Cash flow hedge reserve		
Opening balance at the beginning of the period	-	-
Changes in the fair value of cash flow hedges	644	-
Closing balance at the end of the period	644	-
Capital reserve		
Opening balance at the beginning of the period	-	-
Equity restructure	(25,159)	-
Closing balance at the end of the period	(25,159)	-
Total reserves	(3,390)	11,439

(b) Nature and purpose of reserves

Asset revaluation reserve

The asset revaluation reserve is used to record the fair value adjustment arising from revaluation of leasehold buildings classified as Property, plant and equipment in the Statement of Financial Position.

Cash flow hedge reserve

The cash flow hedge reserve is used to record the effective portion of changes in the fair value of derivatives that are designated as cash flow hedges.

Capital reserve

The movement in the capital reserve during the 2017 year was the result of a series of equity restructuring steps required to staple PAIP to PHL and PT to enable the completion of the IPO on 15 August 2016.

Note 15 Working capital

(a) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

(b) Trade and other receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

	2017 \$'000	2016 \$'000
Rent receivable	1,884	888
Less: provision for doubtful debts	(4)	(4)
Total rent receivables	1,880	884
Other receivables	19	38
Deposits paid	157	157
Total current trade and other receivables	2,056	1,079

(c) Trade and other payables

Trade and other payables represent the liabilities for goods and services received by the Group that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

	2017 \$'000	2016 \$'000
Trade payables	1,575	2,201
Other payables and accrued expenses	4,123	5,990
Distribution payable	-	3,313
GST payable	913	1,063
Bonds payable	861	1,037
	7,472	13,604

For the year ended 30 June 2017

Other disclosures

In this section

This section includes other information that must be disclosed to comply with the Accounting Standards, the *Corporations Act 2001* or the Corporations Regulations.

Note 16 Auditors' remuneration

	2017 \$'000	2016 \$'000
Audit fees		
KPMG - audit and review of Financial Statements	128	80
PwC Australia - audit and review of Financial Statements	-	76
Total audit fees	128	156
Total audit, transaction and other services fees	128	156

Note 17 Cash flow information

Reconciliation of net profit to net cash flows from operating activities

	1-Jul-16 to 30-Jun-17 \$'000	1-Jan-16 to 30-Jun-16 \$'000
Profit after income tax	64,130	69,361
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Net fair value gain on investment property	(27,212)	(65,673)
Net gain on disposal of investment properties	(5,689)	(677)
Depreciation and amortisation expense	2,437	1,013
Amortisation of borrowing costs	1,846	414
Amortisation of leasing costs	173	-
Straight-lining rental income adjustments	(1,590)	(1,266)
Straight-lining lease expense adjustments	1,755	(161)
Net fair value loss on derivatives	-	1,223
Performance fee	(25,159)	-
	(53,439)	(65,127)
<i>Changes in assets and liabilities</i>		
(Increase)/decrease in trade and other receivable	(977)	(163)
(Increase)/decrease in other assets	645	(853)
Increase in trade and other payables	(3,782)	1,505
	(4,114)	489
Net cash flows from operating activities	6,577	4,723

For the year ended 30 June 2017

Note 18 Related parties

(a) Key management personnel

Equity instruments disclosures relating to key management personnel

The relevant interest in Propertylink Group stapled securities held during the period by each key management personnel, including their personally related parties, are set out below:

	Opening balance 1-Jul-2016	Net acquisitions/ disposal	Performance rights granted	Closing balance 30-Jun-2017
Directors	-	20,621,533	1,234,877	21,856,410
Other key management personnel	-	739,643	-	739,643
Total	-	21,361,176	1,234,877	22,596,053

There were no loans with key management personnel or their related parties during the year ended 30 June 2017 and 30 June 2016.

(b) Transactions with related parties

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	2017 \$'000	2016 \$'000
i. Purchase of goods and services - Propertylink (Australasia) Pty Ltd		
Performance fee	25,159	-
Property management fees	1,590	795
Investment management fees	1,148	1,535
Leasing fees	128	316
Sales commission	-	59
Project management fees	-	37
	28,025	2,742
ii. Fees received - Propertylink PAIP Pty Ltd		
Interest received	132	-
	132	-
iii. Amounts owed to related parties¹		
Propertylink (Australasia) Pty Ltd	143	1,136
Propertylink (Holdings) Ltd	21,475	-
Propertylink Trust	312,057	-
	333,675	1,136
iv. Amounts owed by related parties		
Propertylink PAIP Pty Ltd	-	3,500
	-	3,500

¹ The amounts are included in trade and other payables and related party loans.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 19 Parent entity disclosures

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

	2017 \$'000	2016 \$'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	168,590	182,297
Non-current assets	601,000	60,000
TOTAL ASSETS	769,590	242,297
LIABILITIES		
Current liabilities	836,315	5,308
Non-current liabilities	-	199,294
TOTAL LIABILITIES	836,315	204,602
EQUITY		
Issued capital	80,263	66,431
Capital reserve	(19,534)	79,971
Retained earnings	(127,454)	(108,707)
Dividends provided	-	-
TOTAL EQUITY	(66,725)	37,695
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
Loss after income tax	(3,184)	(11,884)
Total comprehensive income	(3,184)	(11,884)

Note 20 Events after the reporting period

On 15 July 2017, the Group settled the sale of 150-156 McCredie Road, Smithfield, for a contract price of \$23m, as a result of a sale contract entered into in June 2017.

Note 21 Interests in subsidiaries

The subsidiaries listed below have either share capital consisting solely of ordinary shares or units in unit trusts, which are held directly by the Group. The proportion of ownership interests held equals the voting rights held by the Group. Each subsidiary's principal place of business and country of incorporation or registration is Australia.

Subsidiary financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's financial statements.

	2017 %	2016 %
Parent Entity:		
Propertylink Australian Industrial Partnership (PAIP)		
Controlled entities of PAIP		
PHL Hold Trust	100%	100%
PHL Hold Trust 2	100%	100%
PHL NW Trust	100%	100%
PHL V Trust	100%	100%
PHL Q Trust	100%	100%
PHL DX Trust	100%	100%

	2017 %	2016 %
PHL MM Trust	100%	100%
PHL U Trust	100%	100%
PHL N Pike Street Trust	100%	100%
PAIP N Airds Road Trust	100%	100%
PAIP N Beaumont Road Trust No 2	100%	100%
PAIP N Beaumont Road Trust No 3	100%	100%
PAIP N Beaumont Road Trust No 11	100%	100%
PAIP N Beaumont Road Trust No 12	100%	100%
PAIP N Beaumont Road Trust No 15	100%	100%
PAIP N Boundary Road Trust	100%	100%
PAIP N Brunner Road Trust	100%	100%
PAIP N Gundah Road Trust	100%	100%
PAIP N Mandarin Street Trust	100%	100%
PAIP N McCredie Road Trust	100%	100%
PAIP N Newton Road Trust No 1	100%	100%
PAIP N Newton Road Trust No 2	100%	100%
PAIP N Niagara Close Trust	100%	100%
PAIP N Orielton Road Trust	100%	100%
PAIP N Pike Street Trust No 2	100%	100%
PAIP N Rodborough Road Trust No 1	100%	100%
PAIP N Rodborough Road Trust No 2	100%	100%
PAIP N Sylvania Way Trust	100%	100%
PAIP V Cherry Lane Trust	100%	100%
PAIP V Lakes Drive Trust	100%	100%
PAIP V Main Road Trust	100%	100%
PAIP V Mt Derrimut Road Trust	100%	100%
PAIP V National Boulevard Trust	100%	100%
PAIP V Ricketts Road Trust	100%	100%
PAIP V Strezlecki Avenue Trust	100%	100%
PAIP V Taryn Drive Trust	100%	100%
PAIP V Whiteside Road Trust	100%	100%
PAIP V Woodlands Drive Trust	100%	100%
PAIP WA Leadership Way Trust	100%	100%
PAIP WA McDowell Street Trust	100%	100%
PAIP WA Modal Crescent Trust	100%	100%

Note 22 Trust details

The registered office of the trust is:

Level 29, 20 Bond Street

SYDNEY NSW 2000

Directors' Declaration

In accordance with a resolution of Propertylink Investment Management Limited, the Responsible Entity of the Propertylink Australian Industrial Partnership, the Directors declare that:

- (1) The Financial Statements and notes, as set out on pages 4 to 27, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Australian Accounting Standards, which, as stated in the "About this Report" section of the Financial Statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (b) give a true and fair view of the financial position as at 30 June 2017 and of the performance for the year ended on that date of the consolidated group.
- (2) In the Directors' opinion there are reasonable grounds to believe that the Propertylink Australian Industrial Partnership will be able to pay its debts as and when they become due and payable.



Peter Lancken

Chairman

14 August 2017



Stuart Dawes

Chief Executive Officer

14 August 2017



Independent Auditor's Report

To the unitholders of Propertylink Australian Industrial Partnership

Opinion

We have audited the **Financial Report** of Propertylink Australian Industrial Partnership (the Trust Financial Report).

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

- giving a true and fair view of the **Trust's** financial position as at 30 June 2017 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 Trust comprises:

- Consolidated statement of financial position as at 30 June 2017
- 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 consists of Propertylink (Holdings) Limited and the entities it controlled at the year-end or from time to time during the financial year, Propertylink Trust and the entities it controlled at the year-end or from time to time during the financial year and Propertylink Australian Industrial Partnership (the **Trust**) and the entities it controlled at the year-end or from time to time during the financial 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 Trust and Propertylink Investment Management Limited (the Trustee) 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.

Other Information

Other Information is financial and non-financial information in Propertylink Group's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Stapled Group and the Trustee are responsible for the Other Information.



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

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.

Responsibilities of the Directors for the Financial Report

The Directors of the Trustee 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 Trust's ability to continue as a going concern. 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 Trust 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_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

Steven Gatt
Partner

Sydney
14 August 2017