PROPERTYLINK GROUP (ASX:PLG)

Appendix 4D: Half Year Report

For the six months ended 31 December 2016

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 half year ended 31 December 2016 ('HY16"). 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 HY16 Financial Statements include profits generated by:

- PHL and PT from 1 July 2016 to 31 December 2016; and
- PAIP from 16 August 2016 to 31 December 2016.

The previous corresponding period is the half year ended 31 December 2015 ("HY15"). No HY15 comparative figures are included in this Appendix 4D as they are not relevant to security holders in the listed Propertylink Group. For clarity, HY15 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 HY15 as the triple stapled PLG was not formed until 15 August 2016. HY15 results are not directly comparable to HY16 results.

This report can be read in conjunction with the PHL and PT annual report for the year ended 30 June 2016, which is available on Propertylink's website www.propertylink.com.au, however those accounts do not include the activities of PAIP.

3. Results for announcement to the market[1]

	Half year 31-Dec-2016 $'000
Total revenue and other income	68,226
Profit after tax attributable to stapled security holders	31,751
Profit after tax and other comprehensive income attributable to stapled security holders	38,137
Distributable earnings[2]	18,045
Distributable earnings per stapled security (cents per security)[3]	2.99 cps
Interim distribution (unfranked) per stapled security (cents per security)	2.70 cps
Record date for determining entitlement to interim distribution	30 December 2016
Payment date for interim distribution	3 March 2017
Net tangible assets per stapled security (cents per security)	81.86 cps
Gearing[4]	32.9%
Number of securities on issue from 15 August 2016 to 31 December 2016	602,780,330

1 No comparison is provided for HY15 as PLG was formed on 15 August 2016. The Financial Statements attached to this Appendix 4D contain details of HY15 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 HY16.

3 All calculations resulting in cents per stapled security have been calculated using the number of securities on issue from 15 August 2016 to 31 December 2016.

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 half yearly accounts for the period ended 31 December 2016 for commentary on the results of the Propertylink Group.

5. Distributions and distribution reinvestment plan

The Directors have declared that an interim distribution of 2.7c per stapled security will be paid on 3 March 2017 to security holders at the record date of 30 December 2016. The distribution will be paid by PAIP 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.

The contribution of PAIP and its subsidiaries to the results for HY16 was $30.002m. Further details can be found in note 18 to the PLG Financial Statements.

Other than that, there were no acquisitions or dispositions of controlled entities during the period.

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 HY16 reports. Key information for HY16 is:

Entity	Equity interest percentage	Equity investment value $'000	Share of net profit/(loss) $'000
Propertylink Enhanced Partnership	25.00	19,137	1,879
Auslog Holdings Trust	10.00	3,083	479
PHL Moelis Braeside Trust	10.00	2,057	129
POP II Investment Partnership	20.00	6,214	380
Propertylink Commercial Industrial Investments	7.50	890	49
Propertylink Australian Industrial Partnership II	3.93	3,075	(81)
POP III Investment Partnership	11.21	4,706	(182)
Total		**39,162**	**2,957**

Compliance Statement

This Appendix 4D has been prepared in accordance with AASB Standards (including Australian interpretations) and other standards acceptable to the ASX. This Appendix 4D and the attached HY16 reports on which it is based use the same accounting policies.

The information contained in this Appendix 4D is unaudited. The Financial Statements for HY16 have been reviewed by KPMG, the auditors for the Propertylink Group.

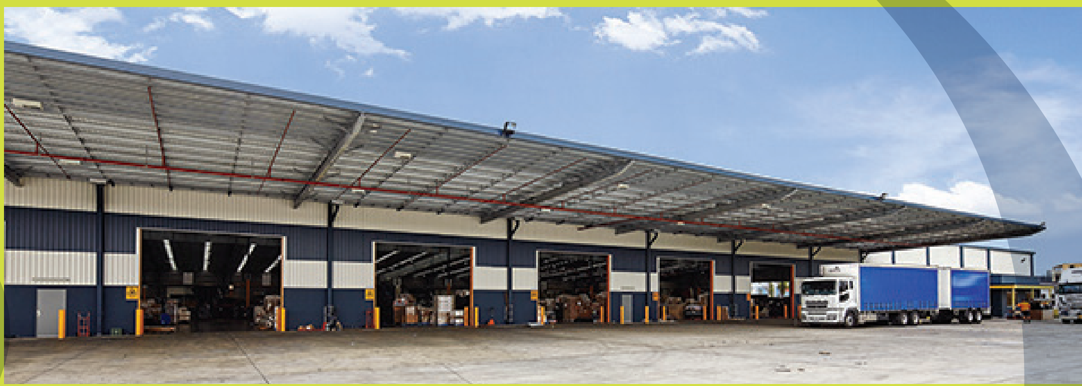
A copy of the Propertylink Group report for HY16, with the auditors review opinion, has been lodged with the ASX.

Tony Groth FCA
Chief Financial Officer
21 February 2017

thinking property

Propertylink Group

Financial Report For The Six Months Ended 31 December 2016



Propertylink (Holdings) Limited (ACN 092 684 798)
Propertylink Investment Management Limited (ACN 136 865 417)
as responsible entity of Propertylink Trust (ARSN 613 032 750) and
Propertylink Australian Industrial Partnership (ARSN 613 032 812)

ONE
Contents


Melbourne Markets, 315 Cooper Street, Epping, VIC

1. Contents

TWO
Directors' Report

15 Talavera Road, Macquarie Park, NSW

2. Directors' Report

The Directors of Propertylink (Holdings) Limited (ABN 59 092 684 798) and Propertylink Investment Management Limited, the Responsible Entity (RE) of Propertylink Trust (ARSN 613 032 750) and Propertylink Australian Industrial Partnership (ARSN 613 032 812), present their report, together with the consolidated Financial Statements for the half year ended 31 December 2016 (referred to as "half year" or "HY16"), for:

- Propertylink Group (referred to as "Propertylink Group" 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");
- PT and its controlled entities; and
- PAIP and its controlled entities.

On 15 August 2016 the Propertylink Group 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 Company share, one PT unit, and one PAIP unit, and the stapled securities cannot be traded or dealt with separately.

Directors

The names of the Directors of PHL in office at any time during the half year and up to the date of this report are:

Peter Lancken (Chairman and Non-executive Director)

Stuart Dawes (Chief Executive Officer and Executive Director) (appointed on 5 July 2016)

Stephen Day (Vice Chairman and Executive Director)

Peter McDonald (Executive Director)

Christopher Ryan (Non-executive Director)

Derek Nix (Non-executive Director)

David Epper (Non-executive Director)

Ian Hutchinson (Non-executive Director)

Anthony Ryan (Non-executive Director) (appointed on 5 July 2016)

The names of the Directors of PIML in office at any time during the half year and up to the date of this report are:

Peter Lancken (Chairman and Non-executive Director) (appointed on 5 July 2016)

Stuart Dawes (Chief Executive Officer and Executive Director)

Stephen Day (Vice Chairman and Executive Director)

Peter McDonald (Executive Director) (appointed on 5 July 2016)

Christopher Ryan (Non-executive Director) (appointed on 5 July 2016)

Derek Nix (Non-executive Director) (appointed on 5 July 2016)

David Epper (Non-executive Director) (appointed on 5 July 2016)

Ian Hutchinson (Non-executive Director) (appointed on 5 July 2016)

Anthony Ryan (Non-executive Director) (appointed on 5 July 2016)

Tony Groth (resigned on 5 July 2016)

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Review of results and operations

On 15 August 2016 the Group became listed on the ASX following the successful completion of an IPO. The half year 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 2016 to 31 December 2016. 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 prior period results of that stapled group. For clarity, comparative figures in this report and the Financial Statements exclude the financial performance of PAIP.

The success of the IPO, thereby establishing the Propertylink Group as a significant owner of industrial and logistics properties in major Australian markets, was the most significant event in the half year to 31 December 2016. As outlined in the Financial Statements, the total costs incurred to complete the IPO were $24.045m (million). In accordance with Australian Accounting Standards, $16.773m in costs have been charged to the Statement of Profit or Loss, and $7.272m have been capitalised as securities issue costs.

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.

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

Operational strategies

During the half year the Propertylink Group focused on executing the key strategies outlined in the Prospectus and PDS, being:

- Investing in a portfolio of industrial and logistics properties in major Australian markets to provide a stable and diversified earnings profile with potential for income and capital growth (property portfolio);
- Enhancing the portfolio through active asset management;
- Growing the investment and asset management business (management services); and
- Maintain a conservative capital structure.

Summary of results

The Group's total comprehensive income for the half year ended 31 December 2016 (HY16) was $38.137m, compared with total comprehensive income of $1.592m for the half year ended 31 December 2015 (HY15). A summary of total comprehensive income is provided below, however it should be noted that comparative figures for the half year ended 31 December 2015 are for the former Propertylink stapled group, so exclude PAIP results, but include fees paid to Propertylink by PAIP:

	31-Dec-2016 $'000	31-Dec-2015 $'000
Investment property net income	18,714	165
Investment management income	31,278	5,729
Share of income from equity accounted investments	2,957	1,699
Fair value movements in investment property	8,328	-
Other income	347	137
Operating income	**61,624**	**7,730**
Operating expenses	(29,873)	(5,591)
Profit before tax	**31,751**	**2,139**
Income tax expense	(2,141)	(547)
Profit after income tax	**29,610**	**1,592**
Fair value movements in property, plant and equipment	6,661	-
Fair value movements in cash flow hedges	1,866	-
Total comprehensive income	**38,137**	**1,592**

Key financial highlights for the half year include:

- Rental property income of $25.316m (HY15 $0.18m), noting that for HY15 no rental income from PAIP properties is included;
- Investment management fees of $2.485m (HY15 $2.592m), noting that PAIP only contributed $0.424m from 1 July to IPO in HY16, compared with $1.54m in HY15;
- Property management fees of $1.718m (HY15 $1.219m);
- Acquisition fees of $1.547m (HY15 $1.595m);
- A share of net profit of associates and joint venture entities of $2.957m (HY15 $1.699m);
- An increase in fair value of investment properties of $8.328m and revaluation gains on property, plant and equipment of $6.661m; and
- Performance fees of $25.159m (HY15 $Nil) generated from the exit of the former PAIP investment partners, noting that these fees effectively accrued to the pre-IPO Propertylink Group equity owners.

Adjusted total comprehensive income

The below table restates total comprehensive income so as to remove the financial effect of items of income and expenditure directly or indirectly related to the IPO. The objective of presenting the table is to "normalise" total comprehensive income so that the half year results can be seen without the effect of IPO related items of income and expenditure.

	31-Dec-2016 $'000
Total comprehensive income	38,137
Adjustments for IPO and pre-IPO related income and expenses	
Deduct: Performance fees attributed to pre-IPO security holders	(25,159)
Add: IPO related costs[1]	20,015
Add: Income tax expense attributable to performance fees and IPO costs	2,141
Adjusted total comprehensive income	**35,134**

1 IPO related costs include IPO expenses, write off of unamortised borrowing costs, and staff bonuses paid from performance fees.

Distributable earnings

The Group considers that distributable earnings, rather than total comprehensive income, is a measure that reflects the underlying performance of the Group. 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 below table reconciles from total comprehensive income, as adjusted for IPO related income and expenditure, to distributable earnings.

	31-Dec-2016 $'000
Adjusted total comprehensive income	35,134
Remove non cash income and expenses	
Deduct: Property fair value adjustments	(16,516)
Deduct: Fair value movement on cash flow hedges	(1,866)
Add: Net adjustment for income and expense rent straight lining	157
Add: Amortisation of borrowing costs	153
Add: Depreciation and amortisation charges	983
Distributable earnings	**18,045**
Amount to be distributed on 3 March 2017	**16,275**
Payout ratio	90.30%
Distributable earnings per security, cents	**2.99c**
Distribution per security, cents	**2.7c**
Securities on issue	602,780,330

Property portfolio

The Propertylink Group has been pro-active on portfolio leasing during the HY ended 31 December 2016. Key highlights are:

- 35 lease transactions during the period covering 128,418m^2 (25.5%) of the portfolio;
- the 35 transactions have a WALE of 5.65 years, and increase portfolio WALE to 4.4 years;
- 14 renewals at a tenant retention rate of 81% and average incentive of 4.3%;
- 21 new leases at average incentive of 19.0%; and
- average downtime of just 3.6 months on new leases.

Major lease transactions, each of which removed significant FY17 lease expiry risk, 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 28,195m^2 or 5.6% of the portfolio by area);
- 10 separate new and renewal lease transactions at 7-15 Gundah Road, Mount Kuring-Gai (totalling 22,788m^2, and improving the asset WALE from 1.8 years to 3.84 years); and
- A new 6 year lease for 9,954m^2 at 8 Sylvania Way, Lisarow.

As a result of the proactive asset management and execution of the 35 lease transactions, the asset valuations as at 31 December 2016 resulted in a valuation uplift of $14.989m. Overall 9 assets were independently valued, representing 44% of the portfolio by value. The WACR of the portfolio firmed by 25bps from 7.65% at 30 June 2016 to 7.40% (excluding 122 Newton Road, Wetherill Park, which was under redevelopment during the half year) at 31 December 2016.

The Propertylink Group capitalised on opportunities to recycle capital during the half year, exchanging or settling 3 assets (36 National Boulevard, Campbellfield, strata unit 2, 22 Beaumont Road, Mt Kuring-Gai, and 9-13 Titanium Court, Crestmead). Post 31 December 2016 the Group also exchanged a contract to sell 10-12 Pike Street, Rydalmere. The sale of assets to be settled post balance date will realise $36.975m in gross proceeds for reinvestment into new opportunities.

The Propertylink Group's strategy to improve its prime asset holdings continued with the development at 122 Newton Road, Wetherill Park. The construction of a modern logistic facility of 8,646m^2 and the refurbishment of the existing building on site of 9,376m^2 will reach practical completion in early 2017 at a budgeted cost of $9.96m. Lease commitments are well progressed, with agreed terms on the existing building for a 10 year lease, and strong interest in the new building.

Key property statistics include:

	PDS	31 December 2016
Portfolio value	$675.7m	$697.8m
Occupancy	95.0%	95.1%
WALE (income)	3.6 years	4.4 years
WACR	7.65%	7.40%

Management services

The Propertylink Group provides a range of management services to primarily institutional investors. Those services include investment management, property management, property acquisition, property development and property leasing. The Group can also earn performance fees from investments managed on behalf of institutional investors. Revenue from these fees is highlighted in the section on summary of results, however significant operational events of the management services segment included:

- Managing, on behalf of Propertylink Australian Industrial Partnership II (PAIP II), the acquisition of a portfolio of assets valued at approximately $137.6m in in July 2016;
- Establishing a new investment fund, Propertylink Enhanced Partnership (PEP) in August 2016;
- Managing, on behalf of PEP, the acquisition of a portfolio of assets valued at $157m in August and September 2016;
- Negotiating, on behalf of PAIP II, the acquisition of 205-231 Fairfield Road, Yennora for $46.2m; and
- Exchanging, on behalf of PEP, a contract to sell 2 Apollo Place, Lane Cove for $13.5m.

Capital management

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

- Net asset value per security at 31 December 2016 of 82.62 cents, with net tangible asset value per security 81.86 cents;
- Drawn debt at 31 December 2016 of $252m;
- Debt facility limit of $300m, inclusive of a $5m bank guarantee facility (largely fully drawn), giving facility head room of $43m at 31 December 2016;
- Gearing of 32.9% (look through gearing 34.4%);
- Weighted average cost of debt at 31 December 2016 of 3.27% (noting that the most recent hedge of $50m at 2.54% for the period to the end of the facility will not impact debt cost until mid-February 2017);
- Weighted average debt expiry of 3.52 years at 31 December 2016; and
- $177.5m (70.4% of drawn debt at 31 December 2016) of debt hedged over the term.

The Group remains within all debt covenant limits and target ranges.

During the half year, as foreshadowed in the IPO documents, the Group sold an asset at 36-52 National Boulevard, Campbellfield for $9.6m. Additionally, as noted, there are several assets for which sale terms have been agreed, with settlement of the sales to occur in the second half of FY17.

Outlook

Unless there are unforeseen changes to operating conditions, Propertylink remains on target to deliver the pro-rata amount of the forecast in the IPO Prospectus and PDS.

There is no change to the earnings guidance announced to the market on 19 October 2016. Directors of the stapled Propertylink Group anticipate that the:

- Distributable earnings per security for the FY17 year will be 6.67 cents; and
- Distribution per security for the FY17 year will total 6.32 cents.

As outlined elsewhere in this report, the first interim distribution of 2.7 cents per security will be paid on 3 March 2017, with the balance of 3.62 cents per security expected to be paid on 2 September 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 9 and forms part of this Directors' Report.

Rounding of amounts

PHL, PT and PAIP are entities of a kind referred to in *ASIC Coporations (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 Director's 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 21 February 2017. The Directors have the power to amend and reissue the Financial Statements, unless otherwise indicated.

Peter Lancken	**Stuart Dawes**
Chairman	Chief Executive Officer
21 February 2017	21 February 2017

THREE Auditor's Independence Declaration

7-15 Gundah Road & 22 Beaumont Road, Mount Kuring-Gai, NSW

3. Auditor's Independence Declaration

KPMG

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 review for the half-year ended 31 December 2016 there have been:

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

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

Steven Gatt

Partner

Sydney

21 February 2017

FOUR
Consolidated Statement of Profit or Loss and Other Comprehensive Income

16 Rodborough Road, Frenchs Forest, NSW

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	31-Dec-2015 $'000
Revenue			
Property revenue	2(b)	25,316	180
Management fee revenue	2(c)	31,278	5,729
Share of net profit of joint ventures	10(b)	2,957	1,699
Other income			
Gain on disposal of investment property		136	-
Net fair value gain on investment property	7(a)	8,328	-
Other income/(expenses)		211	137
Total revenue and other income		**68,226**	**7,745**
Expenses			
Initial public offering cost	13(d)	(16,773)	-
Property expenses	3	(6,602)	(16)
Employment and management costs		(5,648)	(3,081)
Finance costs	4	(5,274)	(544)
Occupancy costs		(418)	(345)
Travel expenses		(307)	(320)
Legal and consultancy fees		(373)	(552)
Depreciation and amortisation expense		(91)	(77)
Administration and other expenses		(989)	(671)
Total expenses		**(36,475)**	**(5,606)**
Profit before income tax		**31,751**	**2,139**
Tax expense		(2,141)	(547)
Profit after income tax		**29,610**	**1,592**
Other comprehensive income:			
Changes in the fair value of cash flow hedges		1,866	-
Revaluation gains on property, plant and equipment	8(a)	6,661	-
Total comprehensive income		**38,137**	**1,592**

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

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	31-Dec-2015[1] $'000
Profit after income tax attributable to:			
Shareholders of the parent entity[1]		(15,100)	2,286
Unitholders of other stapled entities (non-controlling interests)[1]		44,710	(694)
		29,610	**1,592**
Total comprehensive income attributable to:			
Shareholders of the parent entity[1]		(15,100)	2,286
Unitholders of other stapled entities (non-controlling interests)[1]		53,237	(694)
		38,137	**1,592**
Earnings per share on profit/(loss) attributable to shareholders of the parent entity		Cents	Cents
Basic earnings/(loss) per share	5	(3.26)	8.21
Diluted earnings/(loss) per share	5	(3.26)	6.96
Earnings per stapled security on profit/(loss) attributable to stapled security holders			
Basic earnings/(loss) per security	5	6.39	5.71
Diluted earnings/(loss) per security	5	6.39	4.85

1 Profit after income tax and total comprehensive income of $1,592,000 has been split 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.

FIVE
Consolidated Statement Of Financial Position

320 Pitt Street, Sydney, NSW

5. Consolidated Statement Of Financial Position

AS AT 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	30-Jun-2016[1] $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		3,105	3,959
Trade and other receivables		4,692	4,008
Prepayments		2,113	162
Investment properties held for sale	9	9,090	-
TOTAL CURRENT ASSETS		**19,000**	**8,129**
NON-CURRENT ASSETS			
Equity accounted investments	10(b)	39,162	39,414
Investment properties	7(a)	598,388	6,471
Property, plant and equipment	8(a)	97,293	561
Derivative financial instruments		1,866	-
Deferred tax assets		5,327	787
Intangible assets		4,566	4,566
Total non-current assets		**746,602**	**51,799**
TOTAL ASSETS		**765,602**	**59,928**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		9,956	10,166
Borrowings	11	-	22,802
Current tax liabilities		6,291	411
Employee benefits		366	356
TOTAL CURRENT LIABILITIES		**16,613**	**33,735**
NON-CURRENT LIABILITIES			
Employee benefits		240	198
Borrowings	11	250,761	-
TOTAL NON-CURRENT LIABILITIES		**251,001**	**198**
TOTAL LIABILITIES		**267,614**	**33,933**
NET ASSETS		**497,988**	**25,995**

1 Retained earnings of $7,781,000 has been split 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.

AS AT 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	30-Jun-2016[1] $'000
EQUITY			
Equity attributable to shareholders of the parent entity			
Issued capital	13(a)	5,462	40,598
Reserves		(25,110)	(20,556)
Retained earnings / (accumulated losses)[1]		(26,597)	(1,829)
Parent entity shareholders' interest		**(46,245)**	**18,213**
Equity attributable to unitholders of other stapled entities			
Issued capital	13(b)	525,255	-
Reserves		(11,006)	-
Retained earnings / (accumulated losses)[1]		29,984	7,781
Other stapled unitholders' interest		**544,233**	**7,781**
TOTAL EQUITY		**497,988**	**25,995**

1 Retained earnings of $7,781,000 has been split 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.

SIX
Consolidated Statement of Changes in Equity

7 Modal Crescent, Canning Vale, WA

6. Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

		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	Total equity $'000
Balance at 1 July 2015		27,256	-	(3,071)	24,185	-	-	694	694	**24,879**
Comprehensive income for the year		-	-	2,286	2,286	-	-	(694)	(694)	**1,592**
Balance at 31 December 2015		**27,256**	**-**	**(785)**	**26,471**	**-**	**-**	**-**	**-**	**26,471**
Balance at 1 July 2016		40,598	(20,556)	(1,829)	18,213	-	-	7,781	7,781	**25,994**
Comprehensive income for the period		-	-	(15,100)	(15,100)	-	8,527	44,710	53,237	**38,137**
		40,598	**(20,556)**	**(16,929)**	**3,113**	-	**8,527**	**52,491**	**61,018**	**64,131**
Capital reallocation	13	(35,136)	-	-	(35,136)	35,136	-	-	35,136	**-**
Securities issued during the period	13(b)	-	-	-	-	497,391	-	-	497,391	**497,391**
Securities issue costs	13(b)	-	-	-	-	(7,272)	-	-	(7,272)	**(7,272)**
Equity restructure	13(d)	-	(4,554)	-	(4,554)	-	(19,533)	(1,425)	(20,958)	**(25,512)**
Dividends and distributions paid or provided for	6	-	-	(9,667)	(9,667)	-	-	(21,082)	(21,082)	**(30,749)**
Balance at 31 December 2016		**5,462**	**(25,110)**	**(26,597)**	**(46,245)**	**525,255**	**(11,006)**	**29,984**	**544,233**	**497,988**

1 Retained earnings at 1 July 2016 of $7,781,000 ($694,000 at 1 July 2015) has been split 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.

SEVEN
Consolidated Statement of Cash Flows

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

7. Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	31-Dec-2015 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		62,478	6,852
Interest received		452	7
Payments to suppliers and employees		(38,082)	(6,335)
Finance costs paid		(5,116)	(457)
Income tax paid		(802)	(242)
Net cash provided by/(used by) operating activities		**18,930**	**(175)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		21,254	-
Proceeds from sale of investment properties		10,598	-
Capitial expenditure on investment properties		(8,187)	-
Loan (payments)/proceeds from related parties		(3,526)	20
Payment for investment in joint ventures		(19,915)	(4,853)
Purchase of furniture, plant and equipment		(22)	(173)
Dividends received		-	8
Net cash provided by/(used by) investing activities		**202**	**(4,998)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of securities		497,391	-
Securities issue costs		(7,272)	-
Equity restructuring payments		(24,087)	-
Proceeds from borrowings		250,738	7,040
Repayment of borrowings		(735,444)	(1,289)
Dividends and distributions paid		(1,312)	(557)
Net cash provided by/(used by) financing activities		**(19,986)**	**5,194**
Net (decrease)/increase in cash and cash equivalents		(854)	21
Cash and cash equivalents at the beginning of financial year		3,959	2,348
Cash and cash equivalents at the end of the period		**3,105**	**2,369**

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

EIGHT
About this Report

50-52 Airds Road, Minto, NSW

8. 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 and deemed acquirer of PAIP and PT is PHL. 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 form a non-controlling interest. The amount of non-controlling interest attributable to stapled security holders is disclosed in the Statement of Financial Position.

On 15 August 2016 the Group became listed on the ASX following the successful completion of an IPO. The half year 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 2016 to 31 December 2016. 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.

The separate financial statements of the parent entity, Propertylink (Holdings) Limited, 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 directors on 21 February 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 property Note 7
- Leasehold buildings Note 7, 8
- Derivative financial instruments

(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. 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 31 December 2016 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 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 2018.

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 Statements 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.

(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.

8. About this Report (continued)

The notes are organised into the following sections:

Group performance	Property portfolio assets	Capital management	Other disclosures
1. Operating segments	7. Investment properties	11. Borrowings	14. Security-based payments
2. Revenue	8. Property, plant & equipment	12. Commitments and contingencies	15. Related parties
3. Property expenses	9. Non-current assets classified as held for sale	13. Issued capital	16. Parent entity disclosures
4. Finance costs	10. Investments accounted for using the equity method		17. Events after the reporting period
5. Earnings per stapled security			18. Business combinations
6. Dividends and distributions			

NINE
Notes to the Financial Statements

18-24 Ricketts Road, Mount Waverley, VIC

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 and logistics property within the geographical location of Australia.
Management services	Fund and property management services for managed assets, and property management services for owned assets.

(b) Segment information

Segment profit and loss

Half-year ended 31 December 2016	Property investments $'000	Management services $'000	Total $'000
Revenue			
Operating revenue	28,028	31,333	59,361
Net fair value gain on investment property	8,328	-	8,328
Other income	130	-	130
Segment revenue and other income	**36,486**	**31,333**	**67,819**
Reconciliation to statutory revenue and other income:			
Other income			407
Total revenue and other income			**68,226**
Expenses			
Property expenses	(6,602)	-	(6,602)
Other operating expenses	(228)	(18)	(246)
Finance costs	(4,948)	-	(4,948)
Total segment expenses	**(11,778)**	**(18)**	**(11,796)**
Segment profit before income tax	**24,708**	**31,315**	**56,023**
Reconciliation to statutory profit after tax:			
Initial public offering cost			(16,773)
Employee benefits expenses			(5,648)
Other operating expenses			(1,841)
Finance costs and depreciation expense			(417)
Tax expense			(2,141)
Profit after income tax			**29,610**

Half-year ended 31 December 2015	Property investments $'000	Management services $'000	Total $'000
Revenue			
Operating revenue	1,876	5,496	7,372
Other income	1	-	1
Segment profit before income tax	**1,877**	**5,496**	**7,373**
Reconciliation to statutory revenue and other income:			
Other income			372
Total revenue and other income			**7,745**
Reconciliation to statutory profit after tax:			
Employee benefits expenses			(3,081)
Other operating expenses			(1,903)
Finance costs and depreciation expense			(622)
Tax expense			(547)
Profit after income tax			**1,592**

Segment assets and liabilities

As at 31 December 2016	Property investments $'000	Management services $'000	Total $'000
Assets			
Equity accounted investments	39,162	-	39,162
Investment properties	598,388	-	598,388
Investment properties held for sale	9,090	-	9,090
Property, plant and equipment	96,800	-	96,800
Other assets	7,534	54,590	62,124
Total assets	**750,974**	**54,590**	**805,564**
Total liabilities	**206,742**	**22,633**	**229,375**
Segment net assets	**544,232**	**31,957**	**576,189**
Reconciliation of segment net assets to the Statement of Financial Position			
Cash and cash equivalents			1,440
Receivables and prepayments			46,097
Deferred tax assets			5,327
Intangible assets			4,566
Other plant and equipment			493
Payables			(129,226)
Other liabilities			(6,898)
Net assets			**497,988**

As at 30 June 2016	Property investments $'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 assets	**46,474**	**2,573**	**49,047**
Total liabilities	**65**	**395**	**460**
Segment net assets	**46,409**	**2,178**	**48,587**
Reconciliation of segment net assets to the of Financial Position Statement			
Cash and cash equivalents			3,959
Receivables and prepayments			1,007
Deferred tax assets			787
Intangible assets			4,566
Other plant and equipment			561
Payables			(9,706)
Borrowings			(22,802)
Other liabilities			(964)
Net assets			**25,995**

Note 2. Revenue

(a) Revenue recognition

All revenue is stated net 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 of operating leases. Rental income arising from operating leases on investment property is accounted for on an accruals basis. Contingent rental income is recognised when the right to receive them arises. Rental income relating to operating lease which have fixed increments in future periods are recognised on a straight-line basis.

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

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 offset against 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.

Fee income

Revenue from fund and property management services is recognised on an accruals basis having regard to contractual obligations.

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) Property revenue

	31-Dec-2016 $'000	31-Dec-2015 $'000
Rental income	20,151	180
Outgoings recovery income	4,941	-
Straight-lining of lease incentives	71	-
Make good recovery	153	-
Total property revenue	**25,316**	**180**

(c) Fees and other income

	31-Dec-2016 $'000	31-Dec-2015 $'000
Fee income:		
— Performance	25,159	-
— Acquisitions	1,547	1,595
— Investment management	2,485	2,592
— Property management	1,718	1,219
— Other property services	369	323
Total fee income	**31,278**	**5,729**

Note 3. Property Expenses

	31-Dec-2016 $'000	31-Dec-2015 $'000
Statutory expenses	2,020	-
Repairs, maintenance and utilities	1,380	1
Ground lease	1,049	-
Property management expenses	879	-
Depreciation	892	-
Property insurance costs	298	-
Other	84	15
Total property expenses	**6,602**	**16**

Note 4. Finance Costs

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

	31-Dec-2016 $'000	31-Dec-2015 $'000
Interest on bank loans	3,484	401
Interest on other loans	69	23
Borrowing costs [1]	1,728	120
Realised (gains)/losses on interest rate swaps	(7)	-
Total finance costs	**5,274**	**544**

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.

Note 5. Earnings Per Security

Earnings per security are determined by dividing the net profit attributable to shareholders of the parent and security holders 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

	31-Dec-2016 $'000	31-Dec-2015 $'000
Profit/(loss) attributable to shareholders of the parent entity	(15,100)	2,286
Profit attributable to stapled security holders	29,610	1,592

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

	31-Dec-2016 No. of securities	31-Dec-2015 No. of securities
Weighted average number of ordinary stapled securities used in calculation of basic earnings per security	463,037,309	27,862,792
Weighted average number of ordinary stapled securities used in calculation of diluted earnings per security	463,037,309	32,844,998

(c) Basic and diluted earnings per security

	31-Dec-2016 cents	31-Dec-2015 cents
Basic earnings/(loss) per share — Parent	(3.26)	8.21
Diluted earnings/(loss) per share — Parent	(3.26)	6.96
Basic earnings/(loss) per security — Group	6.39	5.71
Diluted earnings/(loss) per security — Group	6.39	4.85
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	463,037,309	32,844,998

Note 6. Dividends and Distributions

Dividends and distributions are recognised when declared.

	31-Dec-2016 $'000	31-Dec-2015 $'000
Distributions paid:		
Fully franked ordinary dividend paid to pre IPO PHL shareholders	9,667	-
Capital distribution to pre IPO PT unitholders	21,082	-
	30,749	**-**

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.

Investments accounted for using the equity method: provides summarised financial information on joint ventures. The Group's joint ventures comprise interests in property portfolio assets held through investments in trusts.

Note 7. Investment Properties

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

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 security holders.

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

	For the 6 months to 31-Dec-2016 $'000	For the 12 months to 30-Jun-2016 $'000
Opening balance at the beginning of the period	6,471	5,857
Property acquisitions through stapling arrangements	583,978	-
Capital expenditure	8,183	-
Less: classified as held for sale	(9,090)	-
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	518	12
Net fair value gain on investment property	8,328	602
Closing balance at the end of the period	**598,388**	**6,471**

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $2,516,367 (30-Jun-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 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 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 PAIP portfolio carried values in December 2016. Following the presentation, 8 properties (31 December 2016 carrying value circa $202m) were required to be independently valued by external valuers, 21 properties (31 December 2016 carrying value circa $457m) were subject to independent desktop reviews by external valuers, and 3 properties (31 December 2016 carrying value of circa $38m) 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 three 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.

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 property have been valued with the following key unobservable inputs adopted:

	Fair value					
	31 Dec 2016 $'000	30 Jun 2016 $'000	Valuation technique	Key unobservable inputs	31 Dec 2016	30 Jun 2016
Investment properties	607,478	6,471	Cap Approach	Capitalisation rate	6.25% - 10.5% (avg 7.42%)	6.75% - 7% (avg 6.875%)
			DCF Approach	Discount rate	7.75% - 9.75% (avg 8.02%)	8%
				Terminal yield	6.75% - 9.25% (avg 7.28%)	7.25%

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.

- **Adopted terminal yield**: The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. 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
Fair value of investment properties	31 Dec 2016	17,931	(16,561)
	30 Jun 2016	312	(290)

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.

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.

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
Property — leasehold buildings	2.6% pa

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

	For the 6 months to 31-Dec-2016 $'000	For the 12 months to 30-Jun-2016 $'000
Leasehold buildings		
Opening balance at the beginning of the period	-	-
Property acquisitions through stapling arrangements	91,703	-
Capital expenditure on owned property	4	-
Capitalised straight-lining of fixed increases in operating leases	133	-
Capitalised straight-lining of fixed increases in ground leases	(809)	-
Depreciation	(892)	-
Net fair value gain/(loss) on property	6,661	-
Closing balance at the end of the period	**96,800**	**-**
Other plant and equipment		
Leasehold improvements	380	448
Office equipment	113	113
Total other plant and equipment	**493**	**561**
Total property, plant & equipment	**97,293**	**561**

The carrying amount of leasehold buildings includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to ($2,609,742) (30 Jun 2016: $Nil).

Leasehold buildings consist of one property — Melbourne Markets. The property has been valued by Savills, an independent valuer, at 31 December 2016 at $96.8m.

(b) Fair value measurement

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 31 Dec 2016 $'000	Fair value 30 Jun 2016 $'000	Valuation technique	Key unobservable inputs	31 Dec 2016	30 Jun 2016
Leasehold buildings	96,800	-	Cap Approach	Capitalisation rate	7.25%	N/A
			DCF Approach	Discount rate	8.75%	N/A
				Terminal yield	8.25%	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
Fair value of leasehold buildings	31 Dec 2016	3,290	(3,071)
	30 Jun 2016	-	-

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 31 December 2016 two of the Group's investment properties with a fair value of $9.09m have been classified as held for sale. The sale of Unit 2, 22 Beaumont Road, Mount Kuring-Gai was settled on 31 January 2017 for $1.975m. The sale of 9-13 Titanium Court, Crestmead is expected to settle by 28 February 2017 for $7.5m.

Note 10. Equity Accounted Investments

Investments in joint ventures are accounted for using the equity method of accounting (refer to "Joint arrangements" in the "About this Report" section on page 23). Information relating to these entities is set out below:

(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.

(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:

31 December 2016	Propertylink Enhanced Partnership	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
Group's share (%)	25.00%	0.00%[1]	10.00%	10.00%	20.00%	7.50%	3.93%	11.21%	
Summarised financial position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	4,079	-	512	620	1	913	1,049	2,921	10,095
Total current assets	4,817	-	862	849	419	980	1,941	3,428	13,296
Total non-current assets	157,223	-	72,200	44,760	31,071	29,000	172,164	95,823	602,241
Current financial liabilities	(35)	-	(270)	(201)	-	(121)	(95)	-	(722)
Other current liabilities	(4,537)	-	(299)	(818)	(418)	(707)	(1,778)	(3,424)	(11,981)
Non-current financial liabilities	(80,922)	-	(41,667)	(24,017)	-	(17,281)	(92,663)	(56,136)	(312,686)
Net assets	76,546	-	30,826	20,572	31,072	11,871	79,569	39,690	290,147
Group's share of joint venture's net assets	**19,137**	**-**	**3,083**	**2,057**	**6,214**	**890**	**3,075**	**4,706**	**39,162**
Summarised financial performance for 6 months ended 31 December 2016									
Revenue	12,143	252	6,066	1,907	1,013	1,199	2,606	629	25,815
Depreciation and amortisation	-	-	-	-	-	-	(570)	-	(570)
Interest income	1	628	1	1	885	6	37	20	1,579
Interest expense	(2,890)	-	(871)	(447)	-	(369)	(1,304)	(1,458)	(7,339)
Other expenses	(1,737)	(12)	(404)	(172)	(0)	(179)	(2,841)	(1,541)	(6,886)
Profit or loss from continuing operations	7,517	868	4,792	1,288	1,898	657	(2,071)	(2,349)	12,599
Income tax expense	-	-	-	-	-	-	-	-	-
Profit after tax from continuing operations	7,517	868	4,792	1,289	1,898	657	(2,072)	(2,350)	5,082
Total comprehensive income	7,517	868	4,792	1,288	1,898	657	(2,071)	(2,349)	5,082
Group's share of joint venture's total comprehensive income	**1,879**	**304**	**479**	**129**	**380**	**49**	**(81)**	**(182)**	**2,957**
Distribution received	**-**	**629**	**243**	**97**	**196**	**40**	**89**	**28**	**1,322**

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.

30 June 2016	Propertylink Enhanced Partnership	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
Group's share (%)	0.00%	25.00%	10.00%	10.00%	20.00%	7.50%	3.95%	6.00%	
Summarised financial position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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**
Half-year ended 31 December 2015									
Summarised financial performance									
Revenue	-	3,290	5,489	5,730	1,462	(1,781)	(1,164)	-	13,026
Depreciation and amortisation	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	2	31	1	1	-	34
Interest expense	-	-	(1,935)	(418)	-	(8)	(123)	-	(2,484)
Other expenses	-	(1)	(336)	(512)	-	(198)	(157)	-	(1,204)
Profit or loss from continuing operations	-	3,289	3,218	4,801	1,494	(1,987)	(1,443)	-	9,372
Income tax expense	-	-	-	-	-	-	-	-	-
Profit after tax from continuing operations	-	3,289	3,218	4,801	1,494	(1,987)	(1,443)	-	9,372
Total comprehensive income	-	3,289	3,218	4,801	1,494	(1,987)	(1,443)	-	9,372
Group's share of joint venture's total comprehensive income	**-**	**822**	**322**	**480**	**299**	**(149)**	**(75)**	**-**	**1,699**
Distribution received	**-**	**940**	**146**	**70**	**310**	**-**	**-**	**-**	**1,466**

CAPITAL MANAGEMENT

In this section

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

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.

	31-Dec-2016 $'000	30-Jun-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	252,000	-
Borrowing costs	(1,239)	-
Total non-current borrowings	**250,761**	**-**
Total borrowings	**250,761**	**22,802**

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

Note 12. Commitments and Contingencies

(a) Commitments

(i) Capital commitments

As at 31 December 2016, the Group had agreed contracts with third parties and is consequently committed to future capital expenditure in respect of investment property of $2m (total contract amount $8.8m, paid by 31 December 2016 $6.8m) (30 June 2016: $Nil).

(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.

The Group makes ground lease payments for the Melbourne Markets property. This property is classified as Property, Plant and Equipment and is subject to a non-cancellable operating lease expiring on 30 September 2055. The leases have fixed escalation clauses. The Group also makes lease payments on its office premises. Commitments for minimum lease payments in relation to non-cancellable leases are as follows:

	31-Dec-2016 $'000	30-Jun-2016 $'000
Within 1 year	1,162	592
After 1 year, but not more than 5 years	8,570	5,043
More than 5 years	103,189	-
	112,920	**5,635**

(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 lease terms between 5 and 10 years and include clauses to enable periodic upward revision of rents according to prevailing market conditions.

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

	31-Dec-2016 $'000	30-Jun-2016 $'000
Within 1 year	42,252	502
After 1 year, but not more than 5 years	103,284	950
More than 5 years	34,841	2
	180,377	**1,453**

(b) Contingencies

At 31 December 2016 the Group had no significant contingent assets or liabilities (30 June 2016: $3.16m liability).

Note 13. Contributed Equity

(a) Contributed equity of shareholders of the parent entity

	For the 6 months to 31-Dec-2016 $'000	For the 12 months to 30-Jun-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	(35,136)	-
Closing balance at the end of the period	**5,462**	**40,598**

(b) Contributed equity of unitholders of other stapled entities

	For the 6 months to 31-Dec-2016 $'000	For the 12 months to 30-Jun-2016 $'000
Opening balance at the beginning of the period	-	-
Issue of ordinary equity	497,391	-
Less security issue costs	(7,272)	-
Reallocation of capital from the parent entity's capital	35,136	-
Closing balance at the end of the period	**525,255**	**-**

The contributed equity of other stapled entities represents the issued capital of PT and PAIP.

(c) Number of securities on issue

	For the 6 months to 31-Dec-2016 No. of securities	For the 12 months to 30-Jun-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 $24.045m. In accordance with Australian Accounting Standards, $16.773m in costs have been charged to the Statement of Profit or Loss, and $7.272m have been recognised as securities issue costs in equity. PHL has re-charged $7.272m in issue costs to PT ($4.739m) and PAIP ($2.533m) as all capital raised was allocated to those two entities.

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 issues of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recording 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.

Note 14. Security-Based Payments

	31-Dec-2016 $'000	31-Dec-2015 $'000
Staff bonuses	558	-

Staff were awarded bonus payments as a result of the performance fee earned. The bonus payments were partly cash and partly share based. This note details the share based bonus portion. The shares granted are escrowed until results for the 2017 financial year are released, and vest at this point provided staff remain employed by Propertylink.

Note 15. Related Parties

(a) Key management personnel

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	Acquisitions	Performance rights granted	Closing balance 31-Dec-2016
Directors	16,456,863	4,126,219	-	20,583,082
Other key management personnel	180,500	350,067	-	530,567
Total	**16,637,363**	**4,476,286**	**-**	**21,113,649**

There were no loans with key management personnel or their related parties during the period ended 31 December 2016 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:

	31-Dec-2016 $'000	31-Dec-2015 $'000
i. Fees paid to key management personnel's related parties		
Management services — Echo Capital Holdings Trust	-	1,087
Project management fees — Nix Anderson Pty Ltd (associated with Derek Nix) [1]	44	119
Directors' fees [2]	260	-
Consulting fees — Blue Gum Capital Pty Ltd (associated with Anthony Ryan) [3]	244	-
	548	**1,206**

1 Project management fees paid to Nix Anderson Pty Ltd were for project management on normal commercial terms and conditions.
2 Additional fees paid to Directors for IPO related work.
3 Consulting fees paid to Blue Gum Capital Pty Ltd were for advice to PHL in regard to the IPO.

Note 16. 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.

	31-Dec-2016 $'000	30-Jun-2016 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	160,078	77,198
Non-current assets	5,727	4,029
TOTAL ASSETS	**165,804**	**81,227**
LIABILITIES		
Current liabilities	238,150	44,807
Non-current liabilities	31	19,233
TOTAL LIABILITIES	**238,182**	**64,040**
EQUITY		
Issued capital	5,462	40,598
Capital reserve	(25,110)	(20,556)
Retained earnings	(41,306)	(2,855)
Dividends provided	(11,423)	-
TOTAL EQUITY	**(72,377)**	**17,187**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31-Dec-2016 $'000	31-Dec-2015 $'000
Profit after income tax	(40,204)	2,286
Total comprehensive income [1]	**(40,204)**	**2,286**

1 Total comprehensive income for the parent company for the half year ended 31 December 2016 includes an expense of $20.0m related to debt forgiveness of part of a loan to PT, and also IPO costs of $16.773m.

Note 17. Events After the Reporting Period

Subsequent to the half year end, the Group entered into a contract to sell 10 - 12 Pike Street, Rydalmere for the sum of $27.5m. The sale is expected to settle in June 2017. At 31 December 2016 the carried value of the Pike Street property was $21.9m.

Note 18. Business Combinations

On 15 August 2016 the Propertylink Group 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, 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 and logistics 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 security holders 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:

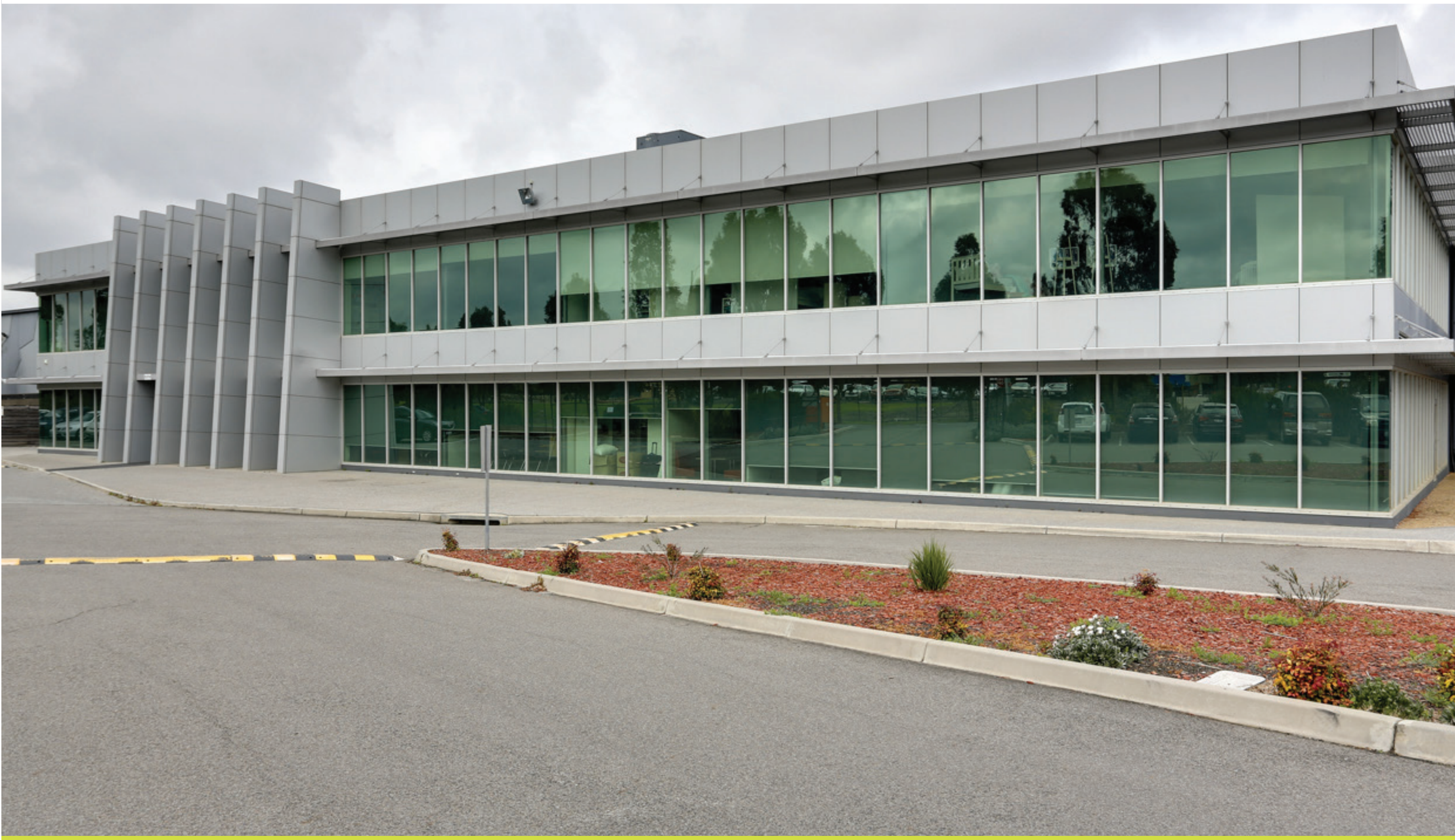
	PAIP from IPO to 31-Dec-2016 $'000	Pro-forma PLG Group[2] from 1 Jul 2016 to 31 Dec 2016 $'000
Revenue		
Property revenue	24,981	33,112
Net fair value gain on investment property	8,272	8,099
Other income	131	34,917
Total revenue and other income	**33,384**	**76,128**
Expenses		
Property expenses	(6,601)	(9,038)
Finance costs	(4,948)	(9,494)
Other expenses	(360)	(24,600)
Total expenses	**(11,909)**	**(43,132)**
Profit after income tax[1]	**21,475**	**30,855**
Other comprehensive income		
Changes in the fair value of cash flow hedges	1,866	1,866
Revaluation gains on property, plant and equipment	6,661	6,864
Total comprehensive income	**30,002**	**39,585**

1 No income tax applicable to PAIP.

2 These pro-forma figures includes the PAIP revenue and expenses from 1 July 2016 to 31 December 2016 as though PAIP was a group member for the entire six month period.

	As at 15 August 2016 $'000
Assets acquired	
Investment properties and property, plant and equipment	685,375
Cash and other current assets	11,255
Total assets	**696,630**
Liabilities assumed	
Creditors and other current liabilities	12,200
Bank loan	337,735
Other loans	346,695
Total expenses	**696,630**
Net assets acquired through stapling arrangements	**-**

TEN
Directors' Declaration



144-168 National Boulevard, Campbellfield, VIC

10. Directors' Declaration

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

1. The Financial Statements and notes, as set out on pages 11 to 44, 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 31 December 2016 and of the performance for the half-year ended on that date of the consolidated group.
2. In the Directors' opinion 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

21 February 2017

Stuart Dawes

Chief Executive Officer

21 February 2017

ELEVEN
Independent Auditor's Report

163-183 Viking Drive, Wacol, QLD

Independent Auditor's Review Report

To the members of Propertylink Group (a stapled entity comprising Propertylink (Holdings) Limited, Propertylink Trust and Propertylink Australian Industrial Partnership and their controlled entities)

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Propertylink Group.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Propertylink Group is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Stapled Entity's*** financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 18 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Stapled Entity*** comprises Propertylink (Holdings) Limited, Propertylink Trust and Propertylink Australian Industrial Partnership and the entities they controlled at the Half-year's end or from time to time during the Half-year Period.

KPMG

Responsibilities of the Directors for the Half-year Financial Report

The Directors of Propertylink (Holdings) Limited, are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Stapled Entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Propertylink Group, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

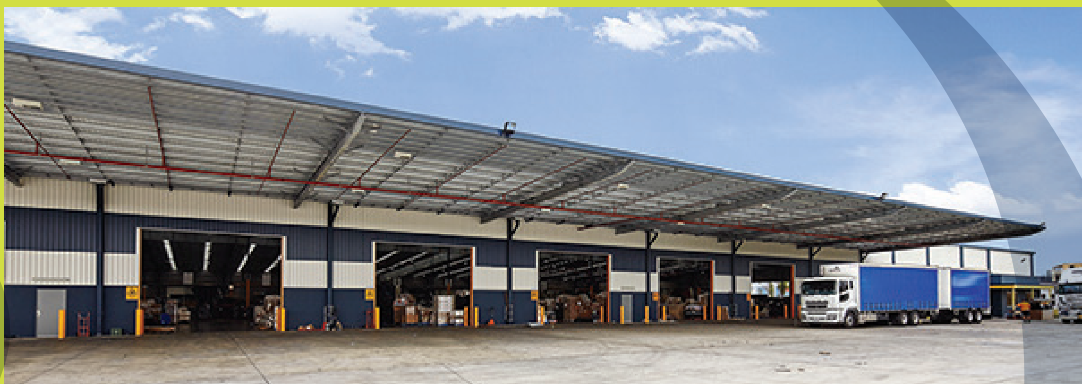
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

KPMG	Steven Gatt
	Partner
	Sydney 21 February 2017

thinking property

Propertylink Trust

Financial Report For The Six Months Ended 31 December 2016



Propertylink Investment Management Limited (ACN 136 865 417)
as responsible entity of Propertylink Trust (ARSN 613 032 750)

ONE
Contents

Melbourne Markets, 315 Cooper Street, Epping, VIC

1. Contents

TWO
Directors' Report

15 Talavera Road, Macquarie Park, NSW

2. Directors' Report

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 half year ended 31 December 2016 (referred to as "half year" or "HY16"), 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 web site www.propertylink.com.au.

Directors

The names of the Directors of PIML in office at any time during the half year and up to the date of this report are:

Peter Lancken (Chairman and Non-executive Director) (appointed on 5 July 2016)

Stuart Dawes (Chief Executive Officer and Executive Director)

Stephen Day (Vice Chairman and Executive Director)

Peter McDonald (Executive Director) (appointed on 5 July 2016)

Christopher Ryan (Non-executive Director) (appointed on 5 July 2016)

Derek Nix (Non-executive Director) (appointed on 5 July 2016)

David Epper (Non-executive Director) (appointed on 5 July 2016)

Ian Hutchinson (Non-executive Director) (appointed on 5 July 2016)

Anthony Ryan (Non-executive Director) (appointed on 5 July 2016)

Tony Groth (resigned on 5 July 2016)

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Review of results and operations

The half year Financial Statements include profits generated by the Group from 1 July 2016 to 31 December 2016.

The Group's financial performance for the half 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:

- 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.

Review of financial accounts

The PT's total comprehensive income for the half year ended 31 December 2016 (HY16) was $23.215m (million), compared with total comprehensive loss of ($0.694m) for the half year ended 31 December 2015 (HY15). The comprehensive income in HY16 included $20.0m in income derived from a commercial debt forgiveness agreement with PHL.

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 6 and forms part of this Directors' 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 Director's 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 21 February 2017. The Directors have the power to amend and reissue the Financial Statements.

Peter Lancken
Chairman
21 February 2017

Stuart Dawes
Chief Executive Officer
21 February 2017

THREE
Auditor's Independence Declaration

7-15 Gundah Road & 22 Beaumont Road, Mount Kuring-Gai, NSW

3. Auditor's Independence Declaration

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 review for the half-year ended 31 December 2016 there have been:

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

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

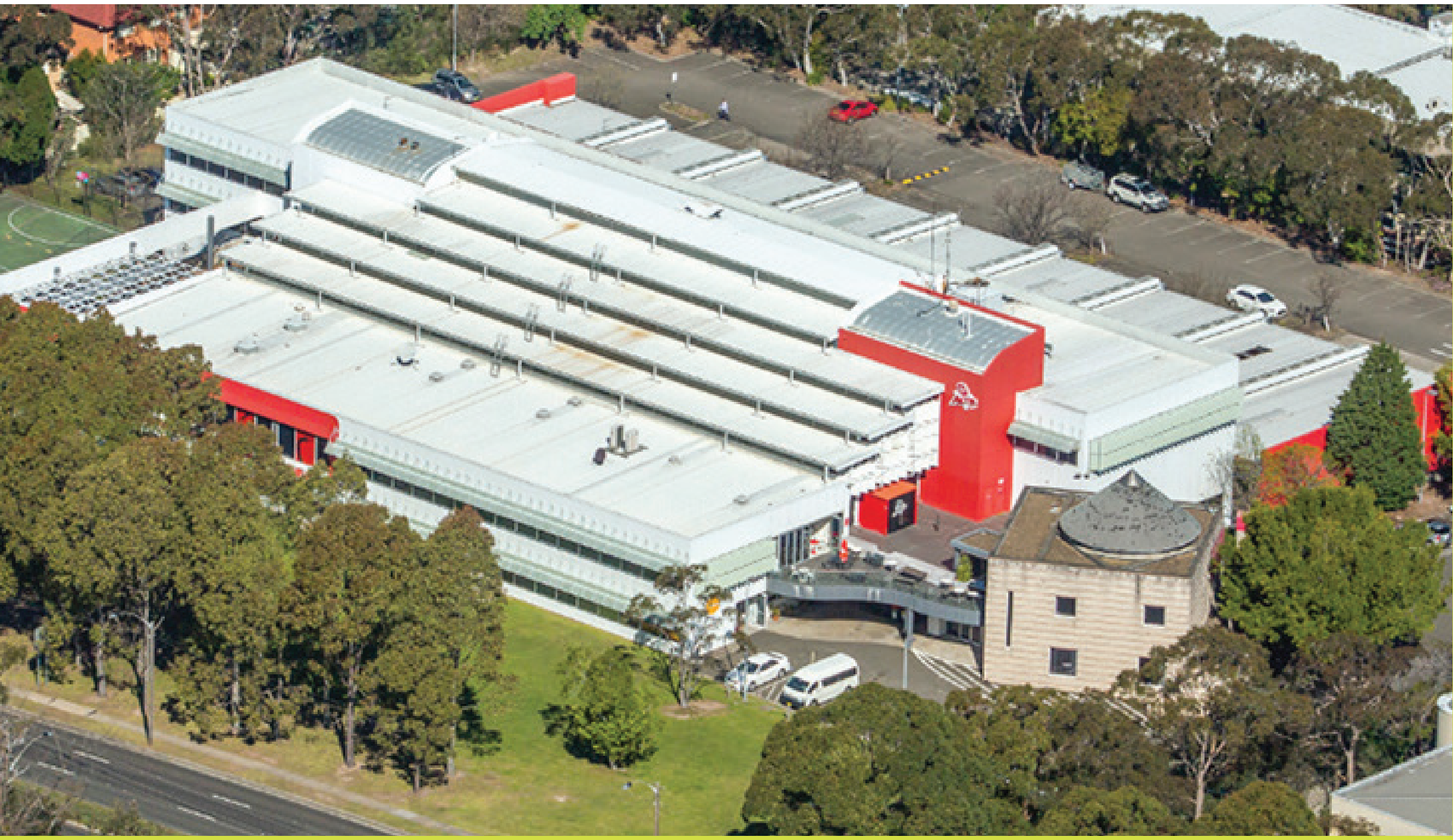
Steven Gatt

Partner

Sydney

21 February 2017

FOUR
Consolidated Statement of Profit or Loss and Other Comprehensive Income



16 Rodborough Road, Frenchs Forest, NSW

4. Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	31-Dec-2015 $'000
Revenue			
Property rental income		294	246
Share of net profit of joint ventures	6(b)	2,957	1,699
Other income			
Net fair value gain on investment property	5(a)	57	-
Gain/(loss) on disposal of investments		(438)	-
Interest received		437	1
Other income	2(b)	20,000	-
Total revenue and other income		**23,307**	**1,946**
Expenses			
Property expenses		(80)	(69)
Trust management fees		-	(2,571)
Legal and consultancy fees		(3)	-
Administration and other expenses		(10)	-
Total expenses		**(92)**	**(2,640)**
Profit before income tax		**23,215**	**(694)**
Tax (expense)/income		-	-
Profit after income tax		**23,215**	**(694)**
Other comprehensive income		-	-
Total comprehensive income		**23,215**	**(694)**
Earnings per unit on profit/(loss) attributable to unitholders		**Cents**	**Cents**
Basic and diluted earnings/(loss) per unit	3	5.01	(2)

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

FIVE
Consolidated Statement of Financial Position

320 Pitt Street, Sydney, NSW

5. Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	30-Jun-2016 $'000
ASSETS			
CURRENT ASSETS			
Trade and other receivables		1,050	580
Related party loans	9(b)	96,125	-
TOTAL CURRENT ASSETS		**97,175**	**580**
NON-CURRENT ASSETS			
Equity accounted investments	6(b)	39,162	39,414
Investment properties	5(a)	6,500	6,471
Related party loans	9(b)	312,057	-
Total non-current assets		**357,719**	**45,885**
TOTAL ASSETS		**454,894**	**46,465**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		5	45
Related party loans		-	38,639
TOTAL CURRENT LIABILITIES		**5**	**38,684**
TOTAL LIABILITIES		**5**	**38,684**
NET ASSETS		**454,889**	**7,781**
EQUITY			
Issued capital	8(a)	444,975	-
Retained earnings / (accumulated losses)		9,914	7,781
TOTAL EQUITY		**454,889**	**7,781**

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

SIX
Consolidated Statement of Changes in Equity

7 Modal Crescent, Canning Vale, WA

6. Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	Contributed equity $'000	Retained earnings $'000	Total $'000
Balance at 1 July 2015		**-**	**694**	**694**
Comprehensive income for the year		-	(694)	(694)
Units issued during the year	8	-	-	-
Units issue costs		-	-	-
Distributions paid or provided for	4	-	-	-
Balance at 31 December 2015		**-**	**-**	**-**
Balance at 1 July 2016		-	7,781	7,781
Comprehensive income for the period		-	23,215	23,215
Capital reallocation	8	449,714	-	449,714
Securities issued during the period		-	-	-
Units issue costs	8	(4,739)	-	(4,739)
Distributions paid or provided for	4	-	(21,082)	(21,082)
Balance at 31 December 2016		**444,975**	**9,914**	**454,889**

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

SEVEN
Consolidated Statement of Cash Flows

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

7. Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	31-Dec-2015 $'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 shares		-	-
Proceeds from borrowings		-	-
Dividends and 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.

EIGHT
About this Report

50-52 Airds Road, Minto, NSW

8. 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 Trustee, Propertylink Investment Management Limited, on 21 February 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 property 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 its 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. 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) 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 31 December 2016 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 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 2018.

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 Statements 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 management	Other disclosures
1. Operating segments	5. Investment properties	7. Commitments and contingencies	9. Related parties
2. Revenue	6. Equity accounted investments	8. Issued capital	10. Parent entity disclosures
3. Earnings per stapled security			11. Events after the reporting period
4. Distributions			

NINE
Notes to the Financial Statements

18-24 Ricketts Road, Mount Waverley, VIC

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: the Australian commercial, industrial and logistics property investment. Together with its investment partners, PT acquires and leases commercial, industrial and logistics 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 of 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

	31-Dec-2016 $'000	31-Dec-2015 $'000
Other income:		
— Related party loan forgiven	20,000	-
Total other income	**20,000**	**-**

As part of the IPO capital restructure of the Propertylink Group, Propertylink (Holdings) Limited forgave $20.0 million of loans made to Propertylink Trust under commercial debt forgiveness rules.

Note 3. Earnings Per Unit

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

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

	31-Dec-2016 $'000	31-Dec-2015 $'000
Profit/(loss) after income tax	23,215	(694)

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

	31-Dec-2016 No. of securities	31-Dec-2015 No. of securities
Weighted average number of ordinary units used in calculation of basic and diluted earnings per unit	463,037,309	27,862,792

(c) Basic and diluted earnings per unit

	31-Dec-2016 cents	31-Dec-2015 cents
Basic and diluted earnings/(loss) per unit	5.01	(2)

Note 4. Distributions

Distributions are recognised when declared.

	31-Dec-2016 $'000	31-Dec-2015 $'000
Distribution paid:		
Capital distribution to pre IPO PT unitholders	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 security holders 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.

Investments accounted for using the equity method: 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 (including integral plant and equipment) that is held to earn rentals or for capital appreciation or both.

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.

Buildings and any component thereof (including plant and equipment) 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.

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

	For the 6 months to 31-Dec-2016 $'000	For the 12 months to 30-Jun-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	3	12
Net fair value gain/(loss) on investment property	57	602
Closing balance at the end of the period	**6,500**	**6,471**

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $15,441 (30-Jun-2016: $11,941)

In March 2015 the Group completed the purchase of a 5% direct ownership interest in a property at 73 Miller Street, North Sydney, together with a subsidiary of Fosun International Limited, who holds the balance of the equity in the property. The Group and Fosun own the building as tenants in common.

Property at 73 Miller St, North Sydney, NSW was valued by Knight Frank Valuations on 30 June 2016 for $130m.

(b) Fair value measurement

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 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 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 the property at 73 Miller St. Following the presentation, the property has been internally assessed. The Directors determined that there was no significant fair value movement since 30 June 2016.

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.

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 property have been valued with the following key unobservable inputs adopted:

	Fair value		Valuation technique	Key unobservable inputs		
	31 Dec 2016 $'000	30 Jun 2016 $'000			31 Dec 2016	30 Jun 2016
Investment properties	6,500	6,471	Cap Approach	Capitalisation rate	6.85%	6.85%
			DCF Approach	Discount rate	8.00%	8.00%
				Terminal yield	7.25%	7.25%

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

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.
- **Adopted terminal yield**: The capitalisation rate used to convert the future net market rental revenue into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. 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
Fair value of investment properties	31 Dec 2016	246	(229)
	30 Jun 2016	246	(229)

Note 6. Equity Accounted Investments

Investments in joint ventures are accounted for using the equity method of accounting (refer to "Joint arrangements" in the "About this Report" section on page 18). Information relating to these entities is set out below:

(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.

(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:

31 December 2016	Propertylink Enhanced Partnership	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
Group's share (%)	25.00%	0.00%[1]	10.00%	10.00%	20.00%	7.50%	3.93%	11.21%	
Summarised financial position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	4,079	-	512	620	1	913	1,049	2,921	10,095
Total current assets	4,817	-	862	849	419	980	1,941	3,428	13,296
Total non-current assets	157,223	-	72,200	44,760	31,071	29,000	172,164	95,823	602,241
Current financial liabilities	(35)	-	(270)	(201)	-	(121)	(95)	-	(722)
Other current liabilities	(4,537)	-	(299)	(818)	(418)	(707)	(1,778)	(3,424)	(11,981)
Non-current financial liabilities	(80,922)	-	(41,667)	(24,017)	-	(17,281)	(92,663)	(56,136)	(312,686)
Net assets	76,546	-	30,826	20,572	31,072	11,871	79,569	39,690	290,147
Group's share of joint venture's net assets	**19,137**	**-**	**3,083**	**2,057**	**6,214**	**890**	**3,075**	**4,706**	**39,162**
Summarised financial performance for 6 months ended 31 December 2016									
Revenue	12,143	252	6,066	1,907	1,013	1,199	2,606	629	25,815
Depreciation and amortisation	-	-	-	-	-	-	(570)	-	(570)
Interest income	1	628	1	1	885	6	37	20	1,579
Interest expense	(2,890)	-	(871)	(447)	-	(369)	(1,304)	(1,458)	(7,339)
Other expenses	(1,737)	(12)	(404)	(172)	(0)	(179)	(2,841)	(1,541)	(6,886)
Profit or loss from continuing operations	7,517	868	4,792	1,289	1,898	657	(2,072)	(2,350)	12,599
Income tax expense	-	-	-	-	-	-	-	-	-
Profit after tax from continuing operations	7,517	868	4,792	1,288	1,898	657	(2,071)	(2,349)	5,082
Total comprehensive income	7,517	868	4,792	1,288	1,898	657	(2,071)	(2,349)	5,082
Group's share of joint venture's total comprehensive income	**1,879**	**304**	**479**	**129**	**380**	**49**	**(81)**	**(182)**	**2,957**
Distribution received	**-**	**629**	**243**	**97**	**196**	**40**	**89**	**28**	**1,322**

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.

30 June 2016	Propertylink Enhanced Partnership	PAIP Investment Partnership	Auslog Holdings Trust	PHL Moelis Braeside Trust	POP II Investment Partnership	Propertylink Commercial Industrial Investments	Propertylink Australian Industrial Partnership II	POP III Investment Partnership	Total
Group's share (%)	0.00%	25.00%	10.00%	10.00%	20.00%	7.50%	3.95%	6.00%	
Summarised financial position	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
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**
Half-year ended 31 December 2015									
Summarised financial performance									
Revenue	-	3,290	5,489	5,730	1,462	(1,781)	(1,164)	-	13,026
Depreciation and amortisation	-	-	-	-	-	-	-	-	-
Interest income	-	-	-	2	31	1	1	-	34
Interest expense	-	-	(1,935)	(418)	-	(8)	(123)	-	(2,484)
Other expenses	-	(1)	(336)	(512)	-	(198)	(157)	-	(1,204)
Profit or loss from continuing operations	-	3,289	3,218	4,801	1,494	(1,987)	(1,443)	-	9,372
Income tax expense	-	-	-	-	-	-	-	-	-
Profit after tax from continuing operations	-	3,289	3,218	4,801	1,494	(1,987)	(1,443)	-	9,372
Total comprehensive income	-	3,289	3,218	4,801	1,494	(1,987)	(1,443)	-	9,372
Group's share of joint venture's total comprehensive income	**-**	**822**	**322**	**480**	**299**	**(149)**	**(75)**	**-**	**1,699**
Distribution received	**-**	**940**	**146**	**70**	**310**	**-**	**-**	**-**	**1,466**

CAPITAL MANAGEMENT

In this section

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

Debt: Commitments and contingencies in Note 7;

Equity: Contributed equity in Note 8

Note 7. 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 lease terms between 5 and 10 years and include clauses to enable periodic upward revision of rents according to prevailing market conditions.

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

	31-Dec-2016 $'000	30-Jun-2016 $'000
Within 1 year	491	502
After 1 year, but not more than 5 years	456	947
More than 5 years	-	-
	947	1,448

(b) Contingencies

At 31 December 2016 the Group had no significant contingent assets (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 8. Contributed Equity

(a) Contributed equity

	For the 6 months to 31-Dec-2016 $'000	For the 12 months to 30-Jun-2016 $'000
Opening balance at the beginning of the period	-	-
Reallocation of capital from other stapled entity's capital subscribed in IPO process	449,714	-
Units issue cost	(4,739)	-
Closing balance at the end of the period	444,975	-

	For the 6 months to 31-Dec-2016 No. of securities	For the 12 months to 30-Jun-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 PLG Group.

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

(b) 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 $24.045m. In accordance with Australian Accounting Standards, $16.773m in costs have been charged to the Statement of Profit or Loss, and $7.272m have been recognised as securities issue costs in equity. PHL has re-charged $7.272m in issue costs to PT ($4.739m) and PAIP ($2.533m) as all capital raised was allocated to those two entities.

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 issues of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recording 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.

Note 9. Related Parties

(a) Key management personnel

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	Acquisitions	Performance rights granted	Closing balance 31-Dec-2016
Directors	16,456,863	4,126,219	-	20,583,082
Other key management personnel	180,500	350,067	-	530,567
Total	**16,637,363**	**4,476,286**	**-**	**21,113,649**

There were no loans or other transactions with key management personnel or their related parties during the period ended 31 December 2016 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:

	31-Dec-2016 $'000	31-Dec-2015 $'000
i. Transactions with Propertylink Group		
Management fees paid	-	2,571
Propertylink (Holdings) Ltd loan forgiven	(20,000)	-
	(20,000)	**2,571**
ii. Amounts receivable / (owing) from/to Propertylink Group		
Propertylink (Holdings) Ltd	96,125	(38,539)
PAIP[1]	312,057	-
	408,183	**(38,539)**

1 Loan to PAIP is unsecured, has no fixed date for repayment and does not bear interest. The loan will not require repayment before 1 January 2018 and is classified as non-current in these financial statements.

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.

	31-Dec-2016 $'000	30-Jun-2016 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	458,517	8,725
Non-current assets	25,970	25,643
TOTAL ASSETS	**484,487**	**34,368**
LIABILITIES		
Current liabilities	40,135	34,426
TOTAL LIABILITIES	**40,135**	**34,426**
EQUITY		
Issued capital	444,975	-
Retained earnings	(622)	(59)
TOTAL EQUITY	**444,353**	**(59)**

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

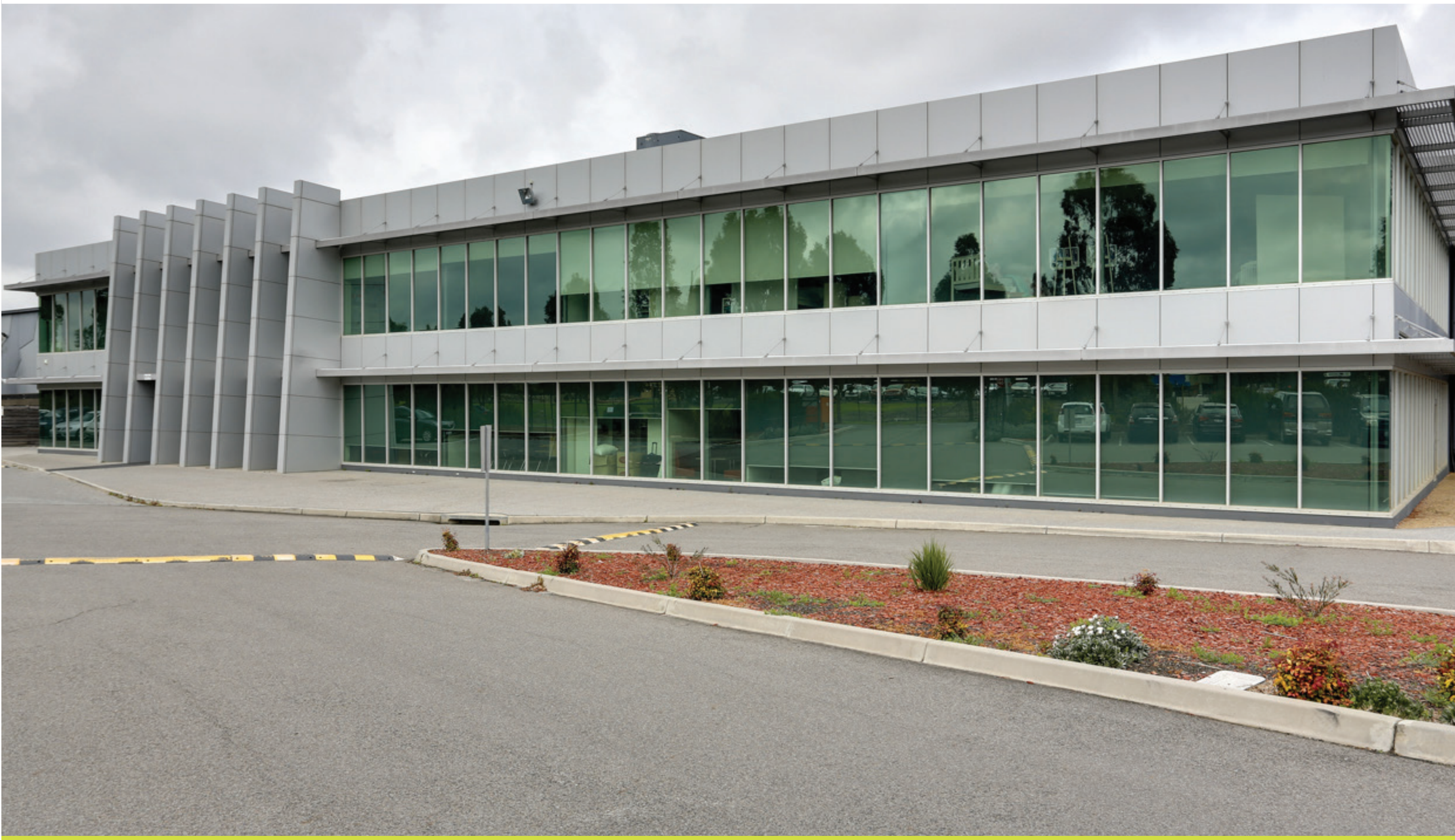
	31-Dec-2016 $'000	31-Dec-2015 $'000
Profit after income tax	20,519	-
Total comprehensive income[1]	**20,519**	**-**

1 Total comprehensive income for the parent entity for the half year includes an income of $20.0 million related to debt foregiveness of part of a loan from Propertylink (Holdings) Limited.

Note 12. Events After the Reporting Period

There have been no significant events subsequent to the responding date.

TEN
Directors' Declaration



144-168 National Boulevard, Campbellfield, VIC

10. Directors' Declaration

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 8 to 30, 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 31 December 2016 and of the performance for the half-year ended on that date of the consolidated group.
2. In the Directors' opinion there are reasonable grounds to believe that the Propertylink Trust will be able to pay its debts as and when they become due and payable.

Peter Lancken
Chairman
21 February 2017

Stuart Dawes
Chief Executive Officer
21 February 2017

ELEVEN
Independent Auditor's Report

15 Talavera Road, Macquarie Park, NSW

KPMG

Independent Auditor's Review Report

To the unitholders of Propertylink Trust

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Propertylink Trust.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Propertylink Trust is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year Period ended on that date
- Notes 1 to 12 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Propertylink Trust (the Trust) and the entities it controlled at the Half year's end or from time to time during the Half-year.

Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Propertylink Investment Management Limited, the Trustee of Propertylink Trust, are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

KPMG

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Propertylink Trust, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

Steven Gatt

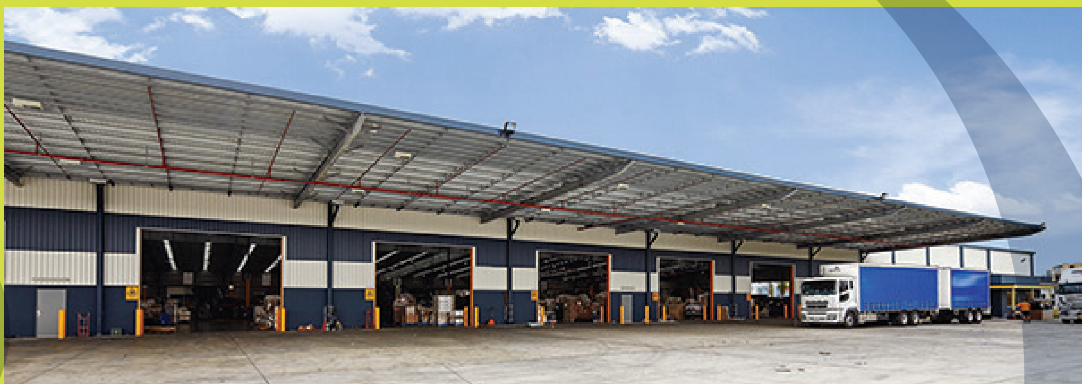
Partner

Sydney
21 February 2017

Propertylink
thinking property

Propertylink Australian Industrial Partnership

Financial Report For The Six Months Ended 31 December 2016



Propertylink Investment Management Limited (ACN 136 865 417)
as responsible entity of Propertylink Australian Industrial Partnership (ARSN 613 032 812)

ONE
Contents

Melbourne Markets, 315 Cooper Street, Epping, VIC

1. Contents

TWO
Directors' Report

15 Talavera Road, Macquarie Park, NSW

2. Directors' Report

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 half year ended 31 December 2016 (referred to as "half year" or "HY16"), 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 unit, 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.

Directors

The names of the Directors of PIML in office at any time during the half year and up to the date of this report are:

Peter Lancken (Chairman and Non-executive Director) (appointed on 5 July 2016)

Stuart Dawes (Chief Executive Officer and Executive Director)

Stephen Day (Vice Chairman and Executive Director)

Peter McDonald (Executive Director) (appointed on 5 July 2016)

Christopher Ryan (Non-executive Director) (appointed on 5 July 2016)

Derek Nix (Non-executive Director) (appointed on 5 July 2016)

David Epper (Non-executive Director) (appointed on 5 July 2016)

Ian Hutchinson (Non-executive Director) (appointed on 5 July 2016)

Anthony Ryan (Non-executive Director) (appointed on 5 July 2016)

Tony Groth (resigned on 5 July 2016)

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Review of results and operations

The half year Financial Statements include profits generated by the PAIP group from 1 July 2016 to 31 December 2016. It is noted that in the Propertylink Group consolidated accounts the PAIP contribution only include profits generated in the period 16 August 2016 to 31 December 2016.

The PAIP's financial performance for the half 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 $0.136m.
- Completion of 30 leasing deals during the half year, resulting in an increased WALE for PAIP assets; and
- Settling or exchanging 3 asset dispositions during the half year.

Review of financial accounts

The PAIP's total comprehensive income for the half year ended 31 December 2016 (HY16) was $30.713m, compared with total comprehensive income of $69.361m for the half year ended 30 June 2016 (June HY16). It is noted that the HY16 and the June HY16 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 31 December 2016. Total comprehensive income for HY16 included fair value gains on investment property of $8.042m and revaluation gains on property, plant and equipment of $6.864m.

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 6 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 Directors' Report and the Financial Statements. Amounts in the Director's 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 21 February 2017. The Directors have the power to amend and reissue the Financial Statements.

Peter Lancken

Chairman

21 February 2017

Stuart Dawes

Chief Executive Officer

21 February 2017

THREE
Auditor's Independence Declaration

163-183 Viking Drive, Wacol, QLD

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 Australian Industrial Partnership

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

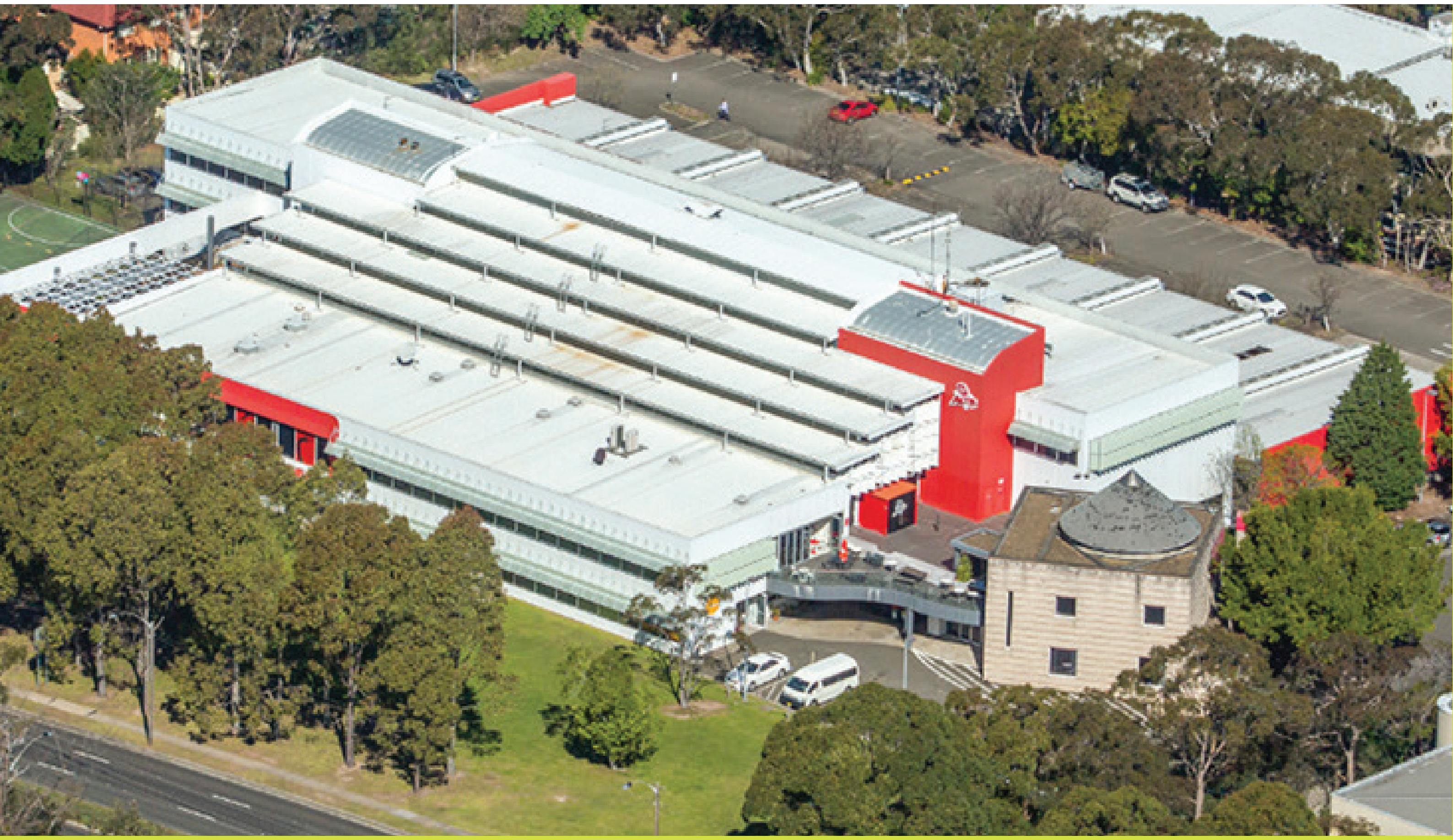
Steven Gatt

Partner

Sydney

21 February 2017

FOUR
Consolidated Statement of Profit or Loss and Other Comprehensive Income



16 Rodborough Road, Frenchs Forest, NSW

4. Consolidated Statement of Profit or Loss and Other Comprehensive Income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	30-Jun-2016 $'000
Revenue			
Property revenue	2(b)	32,777	32,137
Other income/(expenses)			
Gain on disposal of investment property		136	677
Net fair value gain on investment property	7(a)	8,042	65,673
Net fair value gain/(loss) on derivatives		-	(1,223)
Other income		330	121
Total revenue and other income		**41,285**	**97,385**
Expenses			
Property expenses	3	(9,038)	(8,915)
Trust management fees		(744)	(1,564)
Finance costs	4	(9,169)	(17,118)
Legal and consultancy fees		(73)	(8)
Administration and other expenses		(278)	(419)
Total expenses		**(19,302)**	**(28,024)**
Profit before income tax		**21,983**	**69,361**
Tax (expense)/income		-	-
Profit after income tax		**21,983**	**69,361**
Other comprehensive income:			
Changes in the fair value of cash flow hedges		1,866	-
Revaluation gains on property, plant and equipment	8(a)	6,864	11,439
Total comprehensive income		**30,713**	**80,800**
Earnings per unit on profit attributable to unitholders		**Cents**	**Cents**
Basic and diluted earnings per unit	5	4.69	104.41

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

FIVE
Consolidated Statement of Financial Position

320 Pitt Street, Sydney, NSW

5. Consolidated Statement of Financial Position

AS AT 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	30-Jun-2016 $'000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,665	5,727
Trade and other receivables		1,583	1,079
Prepayments		1,429	1,860
Related party loans	13(b)	-	3,500
Investment properties held for sale	9	9,090	9,300
TOTAL CURRENT ASSETS		**13,767**	**21,466**
NON-CURRENT ASSETS			
Investment properties	7(a)	591,888	583,650
Property, plant and equipment	8(a)	96,800	92,000
Derivative financial instruments		1,866	-
Total non-current assets		**690,554**	**675,650**
TOTAL ASSETS		**704,321**	**697,116**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		6,950	13,604
Derivative financial instruments		-	1,278
TOTAL CURRENT LIABILITIES		**6,950**	**14,882**
NON-CURRENT LIABILITIES			
Related party loans	13(b)	357,284	-
Borrowings	10	250,761	536,957
TOTAL NON-CURRENT LIABILITIES		**608,045**	**536,957**
TOTAL LIABILITIES		**614,995**	**551,839**
NET ASSETS		**89,326**	**145,277**
EQUITY			
Issued capital	12	80,280	66,431
Reserves		(4,990)	11,439
Retained earnings		14,036	67,407
TOTAL EQUITY		**89,326**	**145,277**

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

SIX
Consolidated Statement of Changes in Equity

7 Modal Crescent, Canning Vale, WA

6. Consolidated Statement of Changes in Equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	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
		66,431	**11,439**	**76,870**	**154,740**
Units issued during the year	12	-	-	-	-
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 period		-	8,730	21,983	30,713
		66,431	**20,169**	**89,390**	**175,990**
Securities issued during the period	12(a)	82,813	-	-	82,813
Units issue costs	12(a)	(2,533)	-	-	(2,533)
Equity restructure	12(c)	-	(25,159)	-	(25,159)
Distributions paid or provided for	6,12(a)	(66,431)	-	(75,354)	(141,785)
Balance at 31 December 2016		**80,280**	**(4,990)**	**14,036**	**89,326**

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

SEVEN
Consolidated Statement of Cash Flows

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

7. Consolidated Statement of Cash Flows

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

	Note	31-Dec-2016 $'000	30-Jun-2016 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		34,686	33,762
Interest received		163	41
Payments to suppliers		(40,022)	(12,753)
Finance costs paid		(7,490)	(16,327)
Net cash (used by)/provided by operating activities		**(12,663)**	**4,723**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of investment properties		10,598	14,764
Acquisition and improvement of investment properties		(8,810)	(2,668)
Loan proceeds from related parties		360,784	-
Net cash provided by investing activities		**362,572**	**12,096**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of units		80,280	-
Payments to purchase derivatives		-	(63)
Proceeds from borrowings		268,640	-
Repayment of borrowings		(556,515)	(11,726)
Payments for closing out interest rate swaps		(1,279)	-
Distributions paid		(145,097)	(8,526)
Net cash used by financing activities		**(353,971)**	**(20,315)**
Net decrease in cash and cash equivalents		(4,062)	(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		**1,665**	**5,727**

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

EIGHT
About this Report

50-52 Airds Road, Minto, NSW

8. 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 Trustee, Propertylink Investment Management Limited, on 21 February 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 six months ended 31 December 2015, 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.

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 property Note 7
- Leasehold buildings Note 7, 8
- Derivative financial instruments

(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 its 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. 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 31 December 2016 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 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 2018.

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 Statements 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.

(g) 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 management	Other disclosures
1. Operating segments	7. Investment properties	10. Borrowings	13. Related parties
2. Revenue	8. Property, plant & equipment	11. Commitments and contingencies	14. Parent entity disclosures
3. Property expenses	9. Non-current assets classified as held for sale	12. Issued capital	15. Events after the reporting period
4. Finance costs			
5. Earnings per stapled security			
6. Distributions			

NINE
Notes to the Financial Statements

18-24 Ricketts Road, Mount Waverley, VIC

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 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. The Group operates in one reportable segment: Australian industrial and logistics property investment – acquires, develops and leases industrial and logistics 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.

(b) Property revenue

	31-Dec-2016 $'000	30-Jun-2016 $'000
Rental income	26,457	27,392
Outgoings recovery income	6,222	4,618
Straight-lining of lease incentives	98	127
Total property revenue	**32,777**	**32,137**

NOTE 3. PROPERTY EXPENSES

	31-Dec-2016 $'000	30-Jun-2016 $'000
Statutory expenses	2,694	2,646
Repairs, maintenance and utilities	1,904	1,980
Ground lease	1,362	283
Property management expenses	1,188	1,126
Depreciation	1,189	1,013
Property insurance costs	400	409
Other	301	1,458
Total property expenses	**9,038**	**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.

	31-Dec-2016 $'000	30-Jun-2016 $'000
Interest on bank loans	4,836	6,342
Interest on other loans	3	-
Interest on preference units[1]	2,512	9,937
Borrowing costs[2]	1,681	417
Realised losses on interest rate swaps	137	422
Total finance costs	**9,169**	**17,118**

[1] June HY16 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 31 December 2016.

[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 UNIT

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

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

	31-Dec-2016 $'000	30-Jun-2016 $'000
Profit attributable to unitholders	21,983	69,361

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

	31-Dec-2016 No. of securities	30-Jun-2016 No. of securities
Weighted average number of ordinary units used in calculation of basic and diluted earnings per unit	468,693,049	66,431,204

(c) Basic and diluted earnings per unit

	31-Dec-2016 cents	30-Jun-2016 cents
Basic and diluted earnings per unit	4.69	104.41

NOTE 6. DISTRIBUTIONS

Distributions are recognised when declared.

	31-Dec-2016 $'000	30-Jun-2016 $'000
Distributions paid:		
Profit distribution to pre-IPO PAIP unitholders	1,008	4,313
Capital distribution to pre-IPO PAIP unitholders	74,346	5,150
	75,354	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 12 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 re-development (including integral plant and equipment) that is held to earn rentals or for capital appreciation or both.

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.

Buildings and any component thereof (including plant and equipment) 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.

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

	31-Dec-2016 $'000	30-Jun-2016 $'000
Opening balance at the beginning of the period	583,650	618,856
Property acquisitions/(disposals)	(48)	(13,898)
Less: classified as property, plant & equipment	-	(81,301)
Less: classified as held for sale	(9,090)	(9,300)
Capital expenditure	8,594	2,457
Capitalised straight-lining of fixed increases in operating leases inclusive of lease incentives	740	1,163
Net fair value gain on investment property	8,042	65,673
Closing balance at the end of the period	**591,888**	**583,650**

The carrying amount of investment property includes components related to deferred rent, capitalised lease incentives and leasing fees amounting to $2,500,926 (30-Jun-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 provide 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 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 PAIP portfolio carried values in December 2016. Following the presentation, 8 properties (31 December 2016 carrying value circa $202m) were required to be independently valued by external valuers, 21 properties (31 December 2016 carrying value circa $457m) were subject to independent desktop reviews by external valuers, and 3 properties (31 December 2016 carrying value of circa $38m) were internally assessed. Following the assessments, the Directors instructed that the respective property carried values be adjusted to the value determined under each of the above three 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.

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 property have been valued with the following key unobservable inputs adopted:

	Fair value					
	31 Dec 2016	30 Jun 2016	Valuation technique	Key unobservable inputs	31 Dec 2016	30 Jun 2016
	$'000	$'000				
Investment properties	600,978	684,950	Cap Approach	Capitalisation rate	6.25% - 10.5% (avg 7.42%)	6.5% - 11.5% (avg 7.76%)
			DCF Approach	Discount rate	7.75% - 9.75% (avg 8.02%)	8% - 11.5% (avg 8.78%)
				Terminal yield	6.75% - 9.25% (avg 7.28%)	6.75% - 11.5% (avg 8.09%)

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.
- **Adopted terminal yield**: The capitalisation rate used to convert the future net market rental revenue into and indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. 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
Fair value of investment properties	31 Dec 2016	17,685	(16,332)
	30 Jun 2016	24,188	(22,733)

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.

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.

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

Class of fixed asset	Depreciation rate
Property	2.6% pa

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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 derecognized. 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

Leasehold buildings	31-Dec-2016 $'000	30-Jun-2016 $'000
Opening balance at the beginning of the period	92,000	-
Property acquisitions	-	81,301
Capital expenditure	2	17
Capitalised straight-lining of fixed increases in operating leases	197	256
Capitalised straight-lining of fixed increases in ground leases	(1,074)	-
Depreciation	(1,189)	(1,013)
Net fair value gain on property	6,864	11,439
Closing balance at the end of the period	**96,800**	**92,000**

Leasehold buildings consist of one property - Melbourne Markets. The property has been valued by Savills, an independent valuer, at 31 December 2016 at $96.8m.

(b) Fair value measurement

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					
	31 Dec 2016 $'000	30 Jun 2016 $'000	Valuation technique	Key unobservable inputs	31 Dec 2016	30 Jun 2016
Leasehold buildings	96,800	92,000	Cap Approach	Capitalisation rate	7.25%	7.50%
			DCF Approach	Discount rate	8.75%	8.75%
				Terminal yield	8.25%	8.50%

(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
Fair value of leasehold buildings	31 Dec 2016	3,290	(3,071)
	30 Jun 2016	2,968	(2,777)

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 31 December 2016 two of the Group's investment properties with a fair value of $9.09m have been classified as held for sale. The sale of Unit 2, 22 Beaumont Road, Mount Kuring-Gai was settled on 31 January 2017 for $1.975m. The sale of 9-13 Titanium Court, Crestmead is expected to settle by 28 February 2017 for $7.5m.

CAPITAL MANAGEMENT

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

Debt: Borrowings in Note 10 and Commitments and contingencies in Note 11;

Equity: Contributed equity in Note 12

NOTE 10. 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.

	31-Dec-2016 $'000	30-Jun-2016 $'000
Non-current		
Bank loan secured	252,000	339,221
Borrowing costs	(1,239)	(1,558)
Preference units	-	199,294
Total non-current borrowings	250,761	536,957
Total borrowings	250,761	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.

NOTE 11. COMMITMENTS AND CONTINGENCIES

(a) Commitments

(i) Capital commitments

As at 31 December 2016, the Group had agreed contracts with third parties and is consequently committed to future capital expenditure in respect of investment property of $2m (total contract amount $8.8m, paid by 31 December 2016 $6.8m) (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.

The Group makes ground lease payments for the Melbourne Markets property. This property is classified as Property, Plant and Equipment and is subject to a non-cancellable operating lease expiring 30 September 2055. The leases have fixed escalation clauses. Commitments for minimum lease payments in relation to non-cancellable lease are as follows:

	31-Dec-2016 $'000	30-Jun-2016 $'000
Within 1 year	570	570
After 1 year, but not more than 5 years	4,119	3,414
More than 5 years	103,189	104,179
	107,878	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 lease terms between 5 and 10 years and include clauses to enable periodic upward revision of rents according to prevailing market conditions.

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

	31-Dec-2016 $'000	30-Jun-2016 $'000
Within 1 year	41,747	50,810
After 1 year, but not more than 5 years	102,590	125,714
More than 5 years	34,841	40,529
	179,178	217,053

(b) Contingencies

At 31 December 2016 the Group had no significant contingent assets or liabilities (30 June 2016: $Nil).

NOTE 12. CONTRIBUTED EQUITY

(a) Contributed equity

	31-Dec-2016 $'000	30-Jun-2016 $'000
Opening balance at the beginning of the period	66,431	66,431
Capital distribution	(66,431)	
Issue of ordinary equity	82,813	-
Less: units issue cost	(2,533)	-
Closing balance at the end of the period	80,280	66,431

(b) Number of securities on issue

	31-Dec-2016 No. of securities	30-Jun-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 $24.045m. In accordance with Australian Accounting Standards, $16.773m in costs have been charged to the Statement of Profit or Loss, and $7.272m have been recognised as securities issue costs in equity. PHL has re-charged $7.272m in issue costs to PT ($4.739m) and PAIP ($2.533m) as all capital raised was allocated to those two entities.

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 issues of securities in PHL and PT to PAIP existing investors, a capital reorganisation in PHL, a capital reorganisation in PT, and the recording 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.

NOTE 13. RELATED PARTIES

(a) Key management personnel

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	Acquisitions	Performance rights granted	Closing balance 31-Dec-2016
Directors	-	20,583,082	-	20,583,082
Other key management personnel	-	530,567	-	530,567
Total	**-**	**21,113,649**	**-**	**21,113,649**

There were no loans or other transactions with key management personnel or their related parties during the period ended 31 December 2016 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:

	31-Dec-2016 $'000	30-Jun-2016 $'000
i. Purchase of goods and services - Propertylink (Australasia) Pty Ltd		
Performance fee	25,159	-
Property management fees	803	795
Investment management fees	744	1,535
Leasing fees	79	316
Sales commission	-	59
Project management fees	-	37
	26,785	**2,742**
ii. Fees received - Propertylink PAIP Pty Ltd		
Interest received	132	-
	132	**-**
iii. Amounts owed to related parties[1]		
Propertylink (Australasia) Pty Ltd	294	1,136
Propertylink (Holdings) Ltd	45,227	-
Propertylink Trust[2]	312,057	-
	357,578	**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.

[2] Loans from PHL and PT are unsecured, have no fixed date for repayment and do not bear interest. The loans will not require repayment before 1 January 2018 and are classified as non-current in these financial statements

NOTE 14. 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.

	31-Dec-2016 $'000	30-Jun-2016 $'000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current assets	209,340	182,297
Non-current assets	60,000	60,000
TOTAL ASSETS	**269,340**	**242,297**
LIABILITIES		
Current liabilities	321,806	5,308
Non-current liabilities	-	199,294
TOTAL LIABILITIES	**321,806**	**204,602**
EQUITY		
Issued capital	80,280	66,431
Capital reserve	(19,534)	79,971
Retained earnings	(113,212)	(108,707)
Dividends provided	-	-
TOTAL EQUITY	**(52,466)**	**37,695**

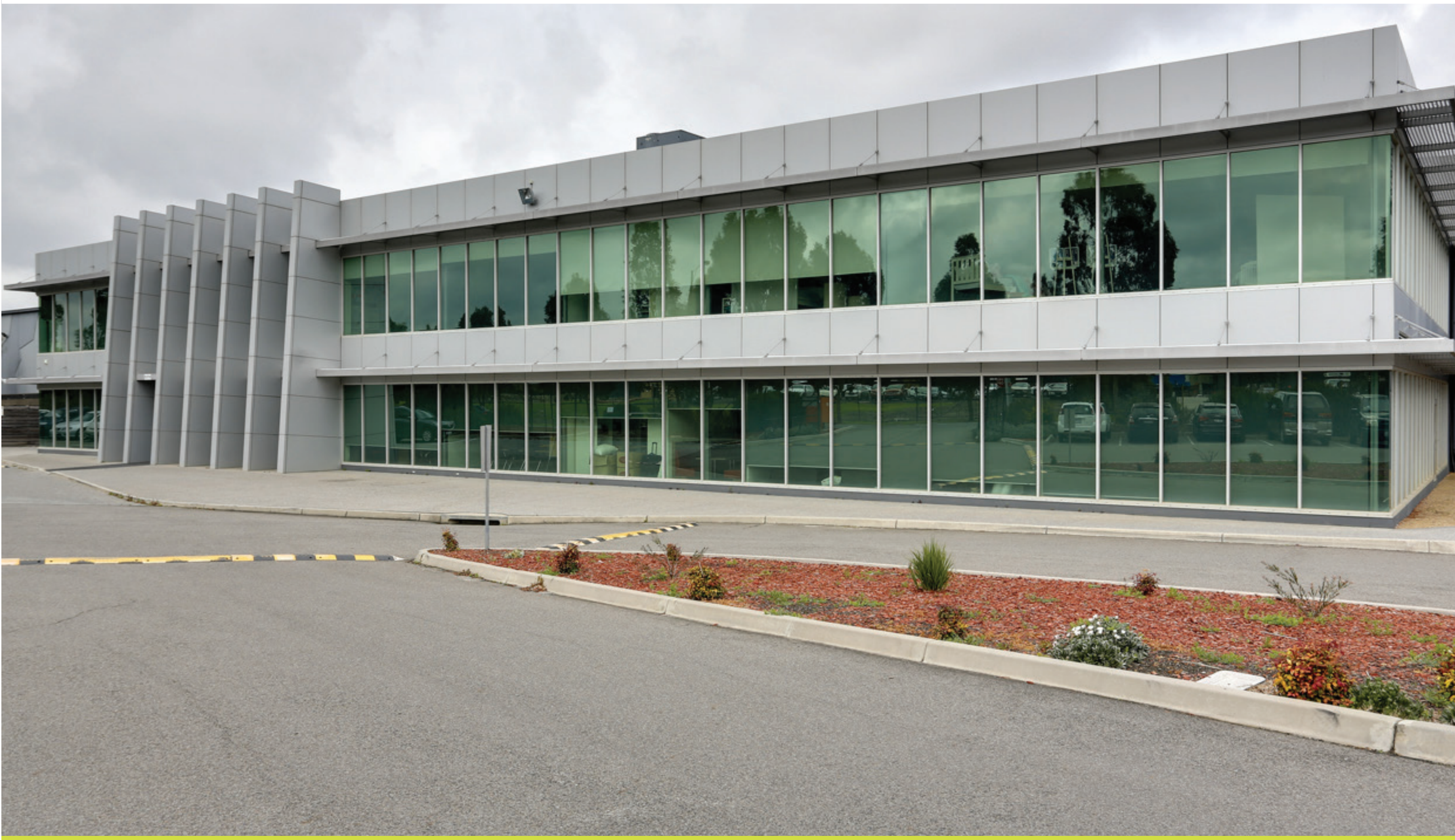
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	31-Dec-2016 $'000	30-Jun-2016 $'000
Profit after income tax	(3,496)	(11,884)
Total comprehensive income	**(3,496)**	**(11,884)**

NOTE 15. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the half year end, PAIP entered into a contract to sell 10-12 Pike Street, Rydalmere for $27.5m. The sale is expected to settle in June 2017. At 31 December 2016 the carried value of the Pike Street property was $21.9m.

TEN
Directors' Declaration



144-168 National Boulevard, Campbellfield, VIC

10. 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 8 to 32, 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 31 December 2016 and of the performance for the half-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

21 February 2017

Stuart Dawes

Chief Executive Officer

21 February 2017

ELEVEN
Independent Auditor's Report

163-183 Viking Drive, Wacol, QLD

Independent Auditor's Review Report

To the unitholders of Propertylink Australian Industrial Partnership

Report on the Half-year Financial Report

Conclusion

We have reviewed the accompanying ***Half-year Financial Report*** of Propertylink Australian Industrial Partnership.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Propertylink Australian Industrial Partnership is not in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 31 December 2016 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The ***Half-year Financial Report*** comprises:

- Consolidated statement of financial position as at 31 December 2016
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date
- Notes 1 to 15 comprising a summary of significant accounting policies and other explanatory information
- The Directors' Declaration.

The ***Group*** comprises Propertylink Australian Industrial Partnership (the Trust) and the entities it controlled at the Half year's end or from time to time during the Half-year.

KPMG

Responsibilities of the Directors for the Half-year Financial Report

The Directors of Propertylink Investment Management Limited, the Trustee of Propertylink Australian Industrial Partnership, are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- for such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. We conducted our review in accordance with *Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Half-year Financial Report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Propertylink Australian Industrial Partnership, *ASRE 2410* requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

KPMG

Steven Gatt

Partner

Sydney
21 February 2017