

Rule 4.3A

Appendix 4E
Results for announcement to the market
GDI PROPERTY GROUP

This Appendix 4E should be read in conjunction with the annual financial report of GDI Property Group for the year ended 30 June 2019.

1. GDI Property Group

This report is for GDI Property Group ("GDI"), comprising the stapled entities GDI Property Group Limited (ACN 166 479 189) ("the Company") and GDI Property Trust (ARSN 166 598 161) ("the Trust").

GDI was formed on 16 December 2013 by the stapling of shares in the Company to units in the Trust. Each stapled security consists of one share in the Company and one unit in the Trust, which pursuant to a Co-operation Deed dated 25 November 2013, cannot be dealt with or traded separately.

The responsible entity of the Trust is GDI Funds Management Limited (ACN 107 354 003, AFSL 253 142), a wholly owned subsidiary of the Company.

For the purposes of statutory reporting, the stapled entity, GDI, is accounted for as a consolidated group. Accordingly, one of the stapled entities must be the 'deemed acquirer' of the other, with the Company being chosen as the deemed acquirer of the Trust.

2. Reporting period

The financial information contained in this report is for the year ended 30 June 2019.

3. Highlights of the results

	2019	2018	Change
	\$m	\$m	%
Revenue from ordinary activities	77.8	76.0	2.38%
Comprehensive net profit attributable to securityholders after tax	81.6	74.5	9.55%
Funds from operations (FFO ¹)	48.3	45.1	7.08%
Distribution to security holders	(41.8)	(41.6)	
	cents	cents	
Funds from operations per security	8.96	8.40	6.63%
Distributions per security	7.75	7.75	-
Payout ratio			
- Distributions as a % of FFO	86.6%	92.3%	
- Distributions as a % of AFFO ²	110.4%	113.7%	
Basic earnings per security ³	15.14	13.88	9.06%
Diluted earnings per security ³	15.01	13.76	9.11%
	\$m	\$m	
Total assets	816.8	811.4	0.66%
Total borrowings	69.1	91.1	(24.12)%
Security holder's equity	696.2	654.4	6.39%
Market capitalisation	747.3	692.3	7.95%
	\$	\$	
Net tangible assets per security	1.255	1.184	5.96%
Security price	1.385	1.290	7.36%
Securities on issue	539,579,646	536,665,396	0.54%
Weighted average securities on issue	539,172,751	536,829,921	0.44%

4. Commentary on the results

Refer to the Directors' Report of the 2019 annual financial report for a commentary on the results of GDI.

5. Dividends/distributions declared and paid and dividend/distribution reinvestment plan

Distributions/dividends declared or paid in respect of the reporting period were:

	Amount per security	Total distribution	Franked amount per security
	cents	\$'000	cents
2018 final – paid 31 August 2018	3.875	20,796	-
2019 interim – paid 28 February 2019	3.875	20,909	-
2019 final – declared 18 June 2019	3.875	20,909	-

No distribution reinvestment plan was operated by GDI.

6. Changes in control over group entities

There were no acquisitions or disposals of controlled entities during the period.

7. Compliance statement

This Appendix 4E has been prepared in accordance with AASB Standards (including Australian interpretations) and other standards acceptable to ASX. This Appendix 4E and the financial reports upon which it is based use the same accounting policies. The information contained in this Appendix 4E is based on the attached audited financial report for the financial year ended 30 June 2019, which together with the auditors opinion, has been lodged with the ASX.

- 1 FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. A reconciliation of total comprehensive income for the period to FFO is provided at page 5, section 1.5 of the Directors' Report.
- 2 AFFO adjusts FFO for incentives paid during the year, maintenance capex and other adjustments.
- 3 This calculation is based on the comprehensive profit attributable to stapled security holders of GDI.

GDI Property Group

GDI Property Group Limited

ACN 166 479 189

GDI Property Trust

ARSN 166 598 161

Annual Financial Report

30 June 2019

GDI Property Group comprises GDI Property Group Limited ACN 166 479 189 (the Company) and its subsidiaries and GDI Property Trust ARSN 166 598 161 (the Trust) and its subsidiaries. The responsible entity of the Trust is GDI Funds Management Limited ACN 107 354 003, AFSL 253 142, a wholly owned subsidiary of the Company.

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

The Directors of GDI Property Group Limited ACN 166 479 189 ("the Company") present their report together with the financial report of the Company and its controlled entities and GDI Property Trust ARSN 166 598 161 ("the Trust") and its controlled entities for the financial year ended 30 June 2019. Shares in the Company are stapled to units in the Trust to form GDI Property Group ("GDI").

The Financial Reports of the Company and its subsidiaries and the Trust and its subsidiaries have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining or consolidating accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange ("ASX"). The Responsible Entity of the Trust is GDI Funds Management Limited ACN 107 354 003, AFSL 253 142. GDI Funds Management Limited is a wholly owned subsidiary of the Company and shares a common board.

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013, becoming registered as a managed investment scheme on 18 November 2013. The Company and the Trust remained dormant until shares in the Company were stapled to units in the Trust on 16 December 2013 as part of an Initial Public Offer ("IPO") of stapled securities, forming GDI, with trading on the ASX commencing on 17 December 2013.

The registered office and principal place of business of the Company and its subsidiaries and the Trust and its subsidiaries is Level 23, 56 Pitt Street, Sydney NSW 2000.

1. Operating and financial review

1.1 About GDI Property Group

GDI is an integrated, internally managed property and funds management group with capabilities in ownership, management, refurbishment, leasing and syndication of predominantly office properties.

The Trust is internally managed and owns a portfolio of office properties across Australia ("Portfolio"). As at 30 June 2019, the Portfolio comprised three wholly owned properties in CBD locations with a combined independent value of \$715.0 million:

- Mill Green Complex, which comprises three Buildings: 197 St Georges Terrace, 5 Mill Street and 1 Mill Street, Perth;
- Westralia Square, 141 St George Terrace, Perth; and
- 50 Cavill Avenue, Surfers Paradise.

The Company owns an established funds business ("Funds Business") which, in addition to managing the Trust, manages seven unlisted and unregistered managed investment schemes with Assets Under Management ("AUM") of approximately \$408.7 million.

In addition to its wholly owned Portfolio, the Trust may also hold stakes in the unlisted and unregistered managed investment schemes managed by the Funds Business. As at 30 June 2019, GDI Property Trust owns 43.68% of GDI No. 42 Office Trust. GDI No. 42 Office Trust owns Stanley Place, 235 Stanley Street, Townsville, which as at 30 June 2019 has an independent valuation of \$53.5 million

GDI has a disciplined value based investment approach and a philosophy of acquiring properties that offer an opportunity to create value through active asset management, including leasing and selective capital improvements.

1.2 Strategy

GDI has two operating segments, property ("Property") and funds management ("Funds Business"). All property assets owned are held by the Trust via wholly owned subsidiaries. The Company operates the Funds Business.

GDI's strategy is to generate total returns (distributions plus net tangible asset growth) by:

- maximising the income and capital potential in the existing Portfolio by continuing the asset management strategies adopted for each property;

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

- acquiring well located properties at below replacement cost that offer an opportunity to create value through active asset management, including leasing and selective capital improvements;
- optimising the outcome for investors in the existing unlisted property funds and therefore generating performance fees; and
- continuing to grow the AUM in the Funds Business by establishing new unlisted property funds.

We believe that this active strategy is unique in the Australian REIT market.

Property

GDI is an owner of well-located CBD office properties diversified by geography, tenant and lease terms. Properties are intended to be acquired below management's opinion of value, having regard to replacement cost, with multiple exit options and which have typically been under managed or undercapitalised.

Over time, it is the intention to increase net rental income and/or capital values via asset management strategies including:

- improved leasing and tenant diversity;
- selective capital improvements;
- focusing on improving a property's sustainability credentials;
- management of outgoings;
- incremental revenue initiatives including signage rent, additional car park income, storage, communications and other means; and
- pursuing adaptive re-use options.

It is expected the investment in Australian office properties on balance sheet will result in a reliable source of rental income for securityholders. Over time, GDI may divest some properties, if in the opinion of the Board and management, the value has been maximised or it no longer meets our investment objectives.

We also intend to acquire properties, funded by either recycling capital or utilising headroom within the gearing policy of a loan to value ratio (LVR) of less than 40%. The investment mandate of the Trust is to acquire well-located CBD office properties, which are typically at least \$100.0 million in value.

Funds management

The Company, through wholly owned subsidiaries, manages seven unlisted, unregistered managed investment schemes with total AUM of approximately \$408.7 million. The Company has an investor base of over a 1,000 high net worth investors, many of whom have a history of repeat investment.

The Funds Business generates income by way of:

- due diligence and acquisition fees;
- asset management fees;
- performance fees;
- disposal fees;
- other fees including leasing, project management and financing; and
- where a stake in a fund is held, distributions and capital gains.

The Company intends to continue to establish unlisted, unregistered managed investment schemes and as a consequence grow its funds management fee income.

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1.3 Sustainability

GDI has been a market leader in sustainability since 2008 and were one of the first to receive Government grants to improve the sustainability of our buildings. We have embraced the “Green Space” by implementing an energy performance programme designed to measure, assess and improve the utility (energy & water) performance of all of the properties in our management. This programme includes:

- Utility audits;
- NABERS ratings;
- Energy procurement improvements; and
- A formal utility monitoring programme.

We are proud of our sustainability track record. When Mill Green Complex, Perth, was acquired, 197 St Georges Terrace had a NABERS Energy rating of 3 stars. After a refurbishment and re-leasing programme, it now has a 5 Star Energy Rating. This property was awarded the 2016 PCWA Commercial Property Award for Ecologically Sustainable Development (ESD) – Premium/A Grade Asset Category. Subsequently, 5 Mill Street, Perth also achieved a 5 Star NABERS Energy Rating, having been rated 3 Stars when originally acquired. Following an extensive refurbishment programme at 50 Cavill Avenue, Surfers Paradise, we anticipate achieving a NABERS Energy rating of at least 4 stars, up from zero at the time of its acquisition and an improvement on its current 3 stars rating.

When buying a building, the NABERS potential is an important factor. Westralia Square, Perth, acquired in 2017, had excellent services and a NABERS Energy rating of 5 stars, a rating we will strive to maintain by continually monitoring and improving the services of the building.

Sustainability is not just about a NABERS rating. For example, our buildings are all located within close proximity to public transport. Location, as well as access to public transport and the provision of End of Trip Facilities are key criteria for all GDI properties and prove to be an attractive option for our tenants.

1.4 Adoption of new accounting standards

Two new accounting standards came in to effect for the year ended 30 June 2019:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

AASB 9 introduces various new concepts including:

- amended rules for hedge accounting;
- changes to the categorisation and measurement of financial assets particularly affecting those measured as available for sale (AFS) or held to maturity (HTM);
- new methods of calculating impairment losses of financial assets; and
- a change to the rules surrounding the modification of financial liabilities measured at amortised cost.

GDI has adopted AASB 9 Financial Instruments with an initial application date of 1 July 2018. GDI has applied AASB 9 retrospectively and the cumulative effect of initially applying the standard was nil, so no adjustments were required on transition.

AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018).

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires a five step analysis of transactions to determine whether, how much and the point at which revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

GDI has adopted AASB 15 *Revenue from Contracts with Customers* with an initial application date of 1 July 2018. GDI has applied AASB 15 retrospectively and the cumulative effect of initially applying the standard was nil, so no adjustments were required to net profit or opening retained earnings on transition.

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1.5 Review of operations

Results summary

The Board monitors a range of financial information and operating performance indicators to measure performance over time. We use several measures to monitor the success of our overall strategy, most importantly Funds From Operations ("FFO") versus budgets and GDI's total return - calculated as the movement in Net Tangible Assets ("NTA") per security plus distributions per security. FFO is a Property Council of Australia definition which adjusts statutory AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items.

The reconciliation between GDI's FFO and its statutory profit is as follows:

	GDI	
	2019	2018
	\$'000	\$'000
Total comprehensive income for the year	85,070	75,761
Acquisition expenses and discontinued acquisition	7	11,802
Contribution resulting from consolidation of GDI No. 42 Office Trust	(6,594)	(6,972)
Distributions / funds management fees received from GDI No. 42 Office Trust	2,719	2,932
Straight lining adjustments	330	(560)
Amortisation and depreciation	5,274	5,150
Net fair value gain on investment property	(36,011)	(37,195)
Net fair value gain on interest rate swaps	(377)	(818)
(Profit)/Loss on sale of non-current asset held for sale	(2,124)	(5,029)
Funds From Operation	48,294	45,071

Operating segment results

Individual operating segment results are provided below:

	FY19	FY18
	\$'000	\$'000
Property FFO ¹	54,306	48,506
Funds Business FFO ¹	4,848	7,642
Other	30	24
FFO pre corporate, administration and net interest	59,184	56,172
Less:		
Net interest expense	(2,286)	(2,873)
Corporate and administration expenses	(8,111)	(7,896)
Provision for impairment of debts	(485)	(231)
Income tax (expense) / benefit	(8)	(101)
Total FFO	48,294	45,071

1. Property FFO and Funds Business FFO only refers to the revenue related items included / excluded from FFO. See Segment reporting, Note 23 of the Financial Report for a detailed breakdown of all items included in the Property and Funds Business segment results.

Property

GDI's Property portfolio is now heavily weighted to Perth, with our two major assets centrally located in the Perth CBD. With no forecast new supply until 2023, limited available prime grade contiguous floors and a steady improvement in demand, we believe that currently the Perth CBD offers better returns over the medium term than any other major office market in Australia. Our strong belief in the Perth office market CBD is supported by the continued tightening of the vacancy rate, down to 20.4% at 30 June 2019 from 21.4% a year earlier. With no new supply in the medium term, we anticipate strong growth in effective rents. Our two buildings, most notably Westralia Square, are well positioned to capture this upside.

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For the financial year ended 30 June 2019

Property FFO for the year ended 30 June 2019 was \$54.3 million (FY18 \$48.5 million). The largest contributor to this was Westralia Square (FFO of \$27.1 million). Westralia Square was purchased in October 2017 for \$216.3 million on a passing yield of approximately 11.3% and a rate per square metre of approximately \$6,800, well below replacement cost. We were able to buy Westralia Square on such attractive terms due to its lease expiry profile, with most leases expiring in the first half of 2020. During FY19, the FFO yield on acquisition price was approximately 12.5%.

Minister for Works has been a long-term tenant at Westralia Square, occupying 25,664sqm of the total 32,635sqm of lettable area. With the Minister for Works leases expiring in February and April 2020, we made the decision to create a show floor on the one vacant floor to demonstrate the attractiveness and functionality of the floor plate to potential tenants. Other capital works undertaken during the period included the continued upgrading of the lifts, the lobby and the end of trip facilities. Total capital expenditure during FY19 at Westralia Square was \$7.9 million.

We also progressed a small development opportunity on excess land at Westralia Square. Plans have now been lodged with the relevant authority and we anticipate an approval shortly. The total money spent to date on the development (\$1.0 million) has been capitalised.

Pleasingly, post balance date on 31 July 2019, the Minister for Works signed two binding heads of agreement to occupy 14,522sqm of office accommodation. The Western Australian Police Force (WAPOL) has agreed to lease 12,689sqm over levels 1-5, 8 and 9 for a period of five years¹ commencing 1 February 2021, and Births Deaths and Marriages (BDM) has agreed to a new six-year lease for 1,833sqm over level 10, also commencing on 1 February 2021. The existing leases over 25,664sqm with the Minister of Works will be varied, largely to facilitate WAPOL's relocation within Westralia Square from the upper levels to the lower levels, and the departure of the Department of Justice.

The second largest contributor to Property FFO was Mill Green (FFO of \$20.5 million vs FY19 of \$20.1 million). Following the departures of Clough (May 2017), Chevron (September 2017), A.E.M.O (September 2017) and AKER (February 2018), occupancy in the largest of the three buildings, 197 St Georges Terrace, had fallen from 100.00% to 76.98% at 30 June 2018. We have repeatedly stated that we would take a patient approach to releasing these vacant floors to achieve higher effective rents than would otherwise have been achieved if occupancy had been our primary objective. Pleasingly, most of the space vacated has now been leased, with only three of six suites on the mid-levels (9 and 10) unoccupied. Chevron's previous training facility located on the ground and mezzanine level is now being offered to the market as conferencing facilities, although as there is no lease with the operator the space is shown as vacant. However, in May 2019 CB&I departed its tenancy on levels 11, 12 and 13, creating further vacancy in the building. Level 11 is already occupied under a short-term licence and there is interest in levels 12 and 13. Overall, occupancy at 197 St George's Terrace rose to 85.75%, up from 76.98% as at 30 June 2018. Importantly, GDI has been able to achieve this increased occupancy at what we believe to be better than market effective rents.

During FY19 we continued the upgrade of the lifts at 197 St Georges Terrace. As at 30 June 2019, all the passenger lifts have been upgraded with only a car park shuttle to complete. The upgrade of the lifts was the most significant capital expenditure at any of the three Mill Green assets, with total capital expenditure of \$3.2 million during the year.

Occupancy in 5 Mill Street fell to 89.45% of NLA, down from 100% at 30 June 2018, as tenants moved due largely to outgrowing their space. Given the previous leasing successes at 5 Mill Street it is not expected that the vacant suites will remain unoccupied for long.

As disclosed at 30 June 2018, we are not looking at any immediate long-term leasing of 1 Mill Street given both the time of the cycle and its redevelopment opportunities. There are several single user tenants that have/will have briefs in the market that GDI and Lendlease Developments Pty Limited, in accordance with the Memorandum of Understanding between the parties, continue to pursue.

Property FFO at GDI's only other wholly owned property, 50 Cavill Avenue, Surfers Paradise, increased substantially to \$6.6 million (FY18: \$5.5 million). This improvement was largely a result of higher average occupancy during the year and higher face rents being achieved on new leasing and renewals. With a number of recent departures, occupancy has decreased from its peak of 98.3% of NLA to 94.35% (FY18: 97.6%). However, with strong interest in the vacant space we anticipate most of this being leased in the near term.

¹ WAPOL has certain 12-month lease extension and termination rights on the giving of at least 18 months-notice, and in the case of termination, compensation to GDI.

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The capital expenditure programme at 50 Cavill Avenue is now all but complete, with minor rectification works in the car park the final item of the planned expenditure at the time of acquisition. During the year, capital expenditure totalled \$1.9 million.

Each of the wholly owned properties, other than the strata unit at 38/46 Cavill Avenue, Surfers Paradise, was independently revalued during the year. Westralia Square was revalued to \$285.0 million, up from \$255.0 million a year before. This valuation uplift is largely attributed to an improvement in the Perth market generally, with the assumptions around average net market rent, incentives and the market capitalisation rate all combining to increase the valuation. Both Mill Green and 50 Cavill Avenue were independently valued at 31 December 2018, with Mill Green's valuation increasing to \$330.0 million (FY18: \$321.1 million) and 50 Cavill Avenue's to \$100.0 million (FY18: \$88.1 million). Our wholly owned portfolio is now independently valued at \$715.0 million.

As GDI also owns 43.68% of the units on issue of GDI No. 42 Office Trust, we consolidated GDI No 42 Office Trust for statutory accounting purposes, but for FFO we recognise in the Funds Business (see below) the funds management fees generated on the 56.32% of units we don't own and the quarterly distributions on the 43.68% we do.

On 31 January 2019, GDI No. 42 Office Trust settled the sale of one of its two assets, 223 – 237 Liverpool Road, Ashfield, for \$46.0 million, an \$11.0 million premium over its December 2015 purchase price of \$35.0 million. The other asset held by GDI No. 42 Office Trust is located at 235 Stanley Street, Townsville ("Stanley Place"). Stanley Place's major tenant, the ATO, has advised it will not be renewing its lease at the premises when it expires in February 2020, instead relocating to a yet to be constructed property on the CBD fringe. The property's second largest tenant, The Department of Human Services (DHS), occupies two floors under a direct lease which expires in the first half of FY21 and a further two floors under sub-lease from the ATO. DHS has signed a heads of agreement for a new 6.5 year lease commencing 1 March 2020 for all of the 4,644sqm of space it currently occupies. We remain confident that there will be minimal downtime from any vacancy created by the likely departure of the ATO in February 2020. During the period, the dispute with KPMG SGA regarding acquisition due diligence was settled on favourable terms, with the terms of the settlement confidential. We are also pleased to report that the February floods in Townsville had minimal impact on Stanley Place. Stanley Place was independently valued as at 30 June 2019 at \$53.5 million (FY18: \$53.5 million).

Detailed in the table below are the comparison occupancy, weighted average lease expiry and weighted average capitalisation rates between 30 June 2019 and 30 June 2018.

	GDI	
	As at 30 June 2019	As at 30 June 2018
Occupancy ^{1,2,3}	84.9%	83.8%
Weighted average lease expiry ^{1,2,3}	2.4 years	2.7 years
Weighted average capitalisation rate ^{2,4}	7.02%	7.20%

1. Including signed Heads of Agreement

2. Includes 235 Stanley Place, Townsville, held by GDI No. 42 Office Trust

3. Based on NLA

4. Weighted average by property valuation.

Funds management

GDI's funds management business has a 26-year track record of successfully managing unlisted, unregistered managed investment schemes. Over that time GDI has established nearly 40 unlisted, unregistered managed investment schemes, with over 30 of those now having been terminated. To date, no unlisted, unregistered managed investment scheme has returned a negative Internal Rate of Return ('IRR'). Our successful track record is partly a result of our disciplined approach to acquisition opportunities and notwithstanding our investor interest for product, we will continue to review opportunities cautiously. Although it is an objective to continue to grow the AUM in the Funds Business back to at least pre-IPO levels, we were unable to secure any opportunities for the Funds Business that fitted our risk return profile during FY19.

The Funds Business delivered FFO of \$4.5 million (FY18: \$7.6 million). A large contributor to this is GDI No. 42 Office Trust, with funds management fees of \$0.6 million, including a \$0.3 million disposal fee, and the quarterly distributions of \$2.2 million. During the period we also provisioned \$0.4 million of unpaid fees, of which \$0.2 million was subsequently written off.

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Net interest expense

As at 30 June 2019, GDI's Principal Facility was drawn to \$59.4 million (FY18: \$59.4 million), secured by a security pool independently valued at \$715.0 million, a loan to value ratio (LVR) of 8.3%. Net interest paid for the year totalled \$2.3 million (FY18: \$2.9 million).

Although the interest expense of GDI No. 42 Office Trust is included in the statutory accounts, it is not included in GDI's FFO.

Corporate and administration expenses

GDI's operating expenses remained largely flat year on year at \$8.1 million (FY18: \$7.9 million). The largest component of corporate and administration expenses is employee benefits, including \$2.0 million expensed for the issue of performance rights in FY16, FY17, FY18 and this financial year.

Capital management

GDI's balance sheet is in a strong position with a LVR on the Principal Facility of 8.3%, below the Board's maximum LVR of 40% and the bank's covenant of 50%. During the year, we increased GDI's Principal Facility to \$140.0 million, with drawn debt of \$59.4 million, undrawn debt of \$75.6 million and a \$5.0 million bank guarantee supporting the AFSL of GDI Funds Management Limited. Given the potential changes to the portfolio within the next twelve months, most notably the likely changes to the leasing profile of Westralia Square and the potential progress of unlocking the development potential of 1 Mill Street, we decided to extend the tenure of the Principal Facility by only 15 months to January 2021. The facility was increased by \$20.0 million to provide funding certainty to the development of the excess land at Westralia Square whilst maintaining a similar level of capacity to either secure new opportunities, buy back stock pursuant to the buyback programme, invest in to capital expenditure most notably at Westralia Square, or a combination thereof. The increase and extension were granted on similar terms and conditions as the previous facility.

As GDI No. 42 Office Trust is consolidated in to the statutory accounts of GDI, its loan, secured by Stanley Place, is also shown in GDI's accounts. GDI No. 42 Office Trust has drawn debt of \$10.0 million, 18.7% of the independent value of the asset held by GDI No. 42 Office Trust, and undrawn debt of \$1.5 million. During the year, this facility was refinanced for a new three-year term expiring June 2022.

This strong financial position enabled us to extend the on-market buyback of securities which was originally announced with the release of the half year results in February 2017. During FY19, we bought and cancelled 33,234 securities. We also issued 2,947,484 new securities to satisfy performance rights issued in FY15 that vested on the signing of the FY18 financial accounts. Securities on issue now total 539,579,646.

Hedging policy

GDI's hedging policy is to allow management more flexibility in determining the level of interest rate hedging, particularly when total drawn debt is below \$100.0 million. This new policy may mean that at times we may have no interest rate hedges and be subject to upward movements in interest rates.

As at 30 June 2019, neither GDI nor GDI No. 42 Office Trust has any interest rate hedges or fixed term borrowings.

Dividends/distributions declared and paid and dividend/distribution reinvestment plan

Distributions/dividends declared or paid in respect of the reporting period were:

	Amount per security	Total distribution	Franked amount per security
	cents	\$'000	cents
2018 final – paid 31 August 2018	3.875	20,796	-
2019 interim – paid 28 February 2019	3.875	20,909	-
2019 final – declared 18 June 2019	3.875	20,909	-

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No distribution reinvestment plan was operated by GDI.

Significant changes in GDI Property Group's state of affairs

During the year there were no significant changes in GDI's state of affairs.

1.6 Future prospects

Property – existing

Our portfolio comprises well located properties, with four sides of natural light and floor plates that are easily divisible. Each property in the portfolio has leasing opportunities, either through current vacancy or impending expiry. We believe that leasing up the current vacancy and addressing the impending expiries will significantly increase the value of the portfolio.

The strategy for FY20 for each of the properties in the portfolio is summarised below:

Asset	Strategy
Mill Green Complex, Perth	<ul style="list-style-type: none">• Address the existing vacancies in 197 St Georges Terrace and 5 Mill Street, albeit taking a patient approach given the improving Perth CBD leasing market• In accordance with the Memorandum of Understanding with Lendlease Developments Pty Limited, continue to explore alternate uses for 1 Mill Street
Westralia Square, Perth	Notwithstanding the post balance date leasing at Westralia Square, the property still has a significant amount of its net lettable area subject to leases that expire in the first half of CY20. We intend to relet this space at significantly better net effective rents than are currently being achieved in Perth. To enhance the property's appeal, we are continuing the refurbishment programme including upgrading the lifts, floors that will be vacated, and end of trip facility. The strategy for FY20 is to progress the refurbishment programme and continue the reletting programme on the back of both an improved product and market. In addition, we will be commencing the development of the bespoke office building on the excess land.
50 Cavill Avenue, Surfers Paradise	Now that the refurbishment works are complete, increase occupancy and drive rental growth through higher net effective rents and increased car parking rates
235 Stanley Street, Townsville	Complete the leasing up of the vacant space

GDI has significant capacity to acquire and fund acquisitions by increasing the size of its Principal Facility. However, particularly in the Eastern states, we consider that the current environment of low interest rates fuelling very tight capitalisation rates is unsustainable, and that in the not too distant future rising capitalisation rates and increasing supply will result in a greater number of acquisition opportunities at more realistic pricing.

Funds management

GDI intends to continue to manage the seven unlisted, unregistered managed investment schemes. We also intend to establish at least one new unlisted, unregistered managed investment scheme in FY20. However, the commentary with regards to asset pricing in the Property segment above also holds true for the Funds Business, and we will not acquire assets for the Funds Business that do not offer what we consider to be an appropriate return for the risks involved.

Guidance

GDI has a constantly evolving property portfolio, capital structure and funds management business. Given the likelihood of asset disposals and acquisitions, both for GDI Property Trust and the Funds Business, we choose not to provide earnings guidance. However, we are pleased to confirm, subject to no material change in circumstances, a forecast distribution of 7.75 cents per security for FY20.

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For the financial year ended 30 June 2019

We will also continue to monitor opportunities to buy back our securities, pursuant to the extension of the on-market buyback of up to 5% of securities on issue originally announced at the time of release of our 31 December 2016 half year results.

1.7 Risks

Risk	Description	Risk mitigation
Property values	There is a risk that the value of GDI's portfolio, or individual assets in the portfolio, may fall.	<ul style="list-style-type: none"> GDI has a policy of obtaining independent valuations for each of its properties at least annually. GDI's portfolio comprises well located properties, has limited exposure to multi floor tenants and has floor plates that are easily divisible, somewhat insulating the portfolio from adverse influences on property valuations.
Adverse economic conditions	There is a risk that the Australian economy enters in to either a recession or depression, due to domestic policies, global influences or a combination thereof	<ul style="list-style-type: none"> GDI's Portfolio has a weighted average lease expiry profile of 2.4 years and is leased to a diverse range of high credit quality tenants GDI has a conservative balance sheet with access to \$75.6 million of undrawn debt facilities to fund initiatives aimed at retaining and attracting tenants
Re-leasing and vacancy	There is a risk that GDI may not be able to negotiate suitable lease extensions with existing tenants or replace outgoing tenants with new tenants on the same terms (if at all) or be able to find new tenants to take over space that is currently unoccupied.	<ul style="list-style-type: none"> Although there remains a significant amount of lettable area that will become vacant during FY20 at Westralia Square, GDI anticipates the Perth CBD leasing market to continue to improve and to be leasing this space at a time when there is limited competition for quality contiguous floors GDI's Portfolio comprises well located properties and has floor plates that are easily divisible, enabling it to meet the demands of both larger and smaller space users GDI's conservative capital structure allows it to absorb the impact of vacancies in its portfolio without breaching any of its lending covenants
Funding	GDI's ability to raise capital on favourable terms is dependent upon the general economic climate, the state of the capital markets and the performance, reputation and financial strength of GDI.	<ul style="list-style-type: none"> GDI does not intend to raise any additional equity capital during FY20. GDI's Principal Facility is drawn to only \$59.4 million, with an LVR of 8.3% against the value of the Principal Facility's security pool GDI's Principal Facility does not expire until January 2021 GDI would not seek to acquire a new property unless it was able to obtain funding on favourable terms.
Income from Funds Business	<ul style="list-style-type: none"> There is a risk that GDI might not be able to establish new unlisted funds due to limited investment opportunities, and/or limited availability of investor capital. GDI's ability to raise new equity for future unlisted funds may be dependent on our performance managing all the unlisted funds. 	<ul style="list-style-type: none"> GDI has a track record of establishing new unlisted funds based on the past performance of its unlisted funds GDI's investor base consists of approximately 1,000 high net worth investors who have historically had a high level of repeat investment.

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	<ul style="list-style-type: none"> In the circumstances where GDI funds the payment of costs associated with the proposed acquisition of a property by an unlisted fund, and the fund does not successfully complete the acquisition of that property, there is a risk that the monies will not be repaid to GDI. 	<ul style="list-style-type: none"> GDI will only risk option fees and due diligence costs when it has a high degree of confidence in the eventual success of an unlisted fund.
Loss of key management personnel	The loss of key management personnel could cause material disruption to GDI's activities in the short to medium term and could result in the loss of key relationships and expertise which could have a material adverse impact on current and future earnings.	<ul style="list-style-type: none"> GDI has a competitive remuneration structure to retain key talent. Steve Gillard has a significant interest (+5.5%) in GDI.
Capital expenditure requirements	While GDI will undertake reasonable due diligence investigations prior to acquiring properties, there can be no assurance that properties will not have defects or deficiencies, or that unforeseen capital expenditure or other costs will not arise.	<ul style="list-style-type: none"> GDI and its executives have extensive experience in acquiring properties and undertaking due diligence investigations.
Gearing and breach of covenants	<ul style="list-style-type: none"> GDI's gearing could exceed the maximum level of 40% under the Board's gearing policy from time to time (for example where GDI uses debt to acquire new properties or the valuation of properties in GDI falls). The Debt Facility contains undertakings to maintain certain Covenant LVR and Covenant ICR, and an event of default would occur if GDI fails to maintain these financial levels. 	<ul style="list-style-type: none"> GDI remains well within both its own gearing policy of less than 40% LVR and the covenants imposed on it under its debt facility.
Impacts of climate change and other environmental considerations	<ul style="list-style-type: none"> GDI's properties may be impacted by adverse impacts of climate related events such as severe storms and flooding, and heatwaves that disrupt power supply Changes to environmental legislation may mean GDI's properties need a significant amount of capital expenditure to comply or become obsolete 	<ul style="list-style-type: none"> Climate related risks and potential financial impacts are assessed with GDI's enterprise wide risk management framework GDI has a history of investing in to its properties to improve their environmental credentials, as measured by an industry accepted NABERS ratings system
Business disruption, including data breaches	<ul style="list-style-type: none"> GDI's business or a supplier's business might be subject to a cyber-attack or data breach GDI's properties or business practices may be impacted by disruptive technologies 	<ul style="list-style-type: none"> Business disruption risks and technology changes are assessed with GDI's enterprise wide risk management framework

2 Events subsequent to balance date

On 16 July 2019, GDI No. 45 Pty Limited atf GDI No. 45 Property Trust entered in to a conditional contract to acquire 180 Hay Street, Perth, for \$12.59 million. Settlement of 180 Hay Street, Perth is anticipated to occur on or around 30 June 2020.

On 31 July 2019, the Minister for Works signed two binding heads of agreement to occupy 14,522sqm of office accommodation at 141 St Georges Terrace, Perth (Westralia Square). The Western Australian Police Force (WAPOL) has agreed to lease 12,689sqm over levels 1-5, 8 and 9 for a period of five years commencing 1 February 2021, and Births Deaths and Marriages (BDM) has agreed to a new six-year lease for 1,833sqm over level 10, also commencing on 1 February 2021. The existing leases over 25,664sqm with the Minister of Works will be varied, largely to facilitate WAPOL's relocation within Westralia Square from the upper levels to the lower levels, and the departure of the Department of Justice.

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

3 Environmental regulation

GDI's senior management, with oversight from the Board, oversee the policies, procedures and systems that have been implemented to ensure the adequacy of GDI's environmental risk management practices. It is our opinion that adequate systems are in place for the management of GDI's environmental responsibilities and compliance with its various licence requirements and regulations. Further, we are not aware of any breaches of these requirements.

4 Directors and Company Secretary

Directors

Independent Chairman

Ms Gina Anderson

Managing Director

Mr Steve Gillard

Independent Non-executive Directors

Mr John Tuxworth

Mr Giles Woodgate

Mr Stephen Burns

Mr Stephen Burns was appointed to the Board on 15 November 2018.

Mr Graham Kelly retired from the Board and as Chairman on 15 November 2018. Ms Gina Anderson was elected as Chairman to replace Mr Kelly.

Information on Directors

Ms Gina Anderson

Chairman, Independent Non-Executive Director

Ms Anderson is a professional non-executive director with wide experience in private, not-for-profit and government boards. She has senior executive experience in a diverse range of organisations in business, property, and the not-for-profit sector, having held chief executive, corporate affairs, stakeholder engagement, communications, project management and human resources roles. Ms Anderson was appointed as a director in November 2013.

Mr Steven Gillard

Managing Director

Mr Gillard has had over 30 years of experience in property related industries including 11 years' experience in property management and sales and seven years' experience as a senior analyst and advisor for international stockbroking firms, particularly in the property and tourism sectors. Mr Gillard was managing director of GDI's predecessor companies from 2005, became a director of the Company in November 2013 and Managing Director on 16 December 2013.

Mr John Tuxworth

Independent Non-Executive Director

Mr Tuxworth has nearly 40 years' experience in senior executive and non-executive roles in financial services and management consulting businesses, including over nine years with Rothschild Australia Asset Management as an Executive Director and most recently as a founder and the Managing Director of PeopleFirst & Associates, a management consultancy specialising in financial services. He was appointed as a director of the Company in February 2017.

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Mr Giles Woodgate

Independent Non-Executive Director

Mr Woodgate is a highly respected chartered accountant with more than 40 years of extensive professional practice experience in audit, compliance and turnaround & insolvency, both locally and internationally. Having worked for prominent firms like KPMG, Deloitte and Horwath & Horwath, as well as being responsible for publishing several widely acknowledged articles and presentations on topics such as Insolvency, Voluntary Administrations, and Bankruptcy, Mr Woodgate has been the senior partner of Woodgate & Co since its inception in 1989. He was appointed as a director of the company in November 2017.

Mr Stephen Burns

Independent Non-Executive Director

Mr Burns is currently a Managing Director at Stanton Road Partners and was previously head of real estate investment banking at Credit Suisse, Australia, a role he held for nine years after holding a similar position at Deutsche Bank, Australia. Mr Burns possesses vast experience as a Real Estate specialist advisor and expertise in capital markets, mergers, acquisitions and other corporate transactions. Mr Burns has expert skills and deep relationships demonstrated over many years and multiple cycles, over the past +30 years.

Number of meetings attended

The number of Board meetings, including Committees, held during the period and the number of those meetings attended by each director is set out below:

	Board		Audit Risk and Compliance Committee		Nomination and Remuneration Committee	
	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended
Current chairman	Gina Anderson		Giles Woodgate		John Tuxworth	
Gina Anderson	8	8	3	3	2	2
Steve Gillard	8	8	-	-	-	-
John Tuxworth	8	8	2	2	2	2
Giles Woodgate	8	8	5	5	1	1
Stephen Burns ¹	5	5	3	3	1	1
Graham Kelly ²	3	3	2	2	-	-

1. Mr Stephen Burns was appointed to the Board on 15 November 2018.

2. Mr Graham Kelly resigned from the Board on 15 November 2018. Up to his retirement he was Chairman of the Board.

Other directorships

Details of other directorships of listed entities held by existing directors in the last three years are set out below:

Director	Other directorships
Gina Anderson	-
Steve Gillard	-
John Tuxworth	-
Giles Woodgate	-
Stephen Burns	-

Company secretary

GDI has joint company secretaries, with their details provided below:

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

Mr David Williams

Chief Financial Officer and Joint Company Secretary

Mr Williams has over 25 years' experience in the accounting and financial services industry with major accounting firms, commercial banks and international investment banks. Mr Williams joined GDI in early 2013 as a consultant, and from the time GDI listed was formally appointed as Chief Financial Officer and joint Company Secretary.

Ms Kate Malcolm

Accountant and Joint Company Secretary

Ms Malcolm has over 15 years' experience in the accounting, financial services and property industries both in Australia and the United Kingdom. Ms Malcolm joined GDI in 2012 and was appointed as a Joint Company Secretary in late 2018.

5. Remuneration report

5.1 Basis of preparation

The Remuneration Report is designed to provide securityholders with an understanding of GDI's remuneration policies and the link between our remuneration approach and performance, in particular regarding Key Management Personnel ("KMP") as defined under the Corporations Act 2001. Individual outcomes are provided for GDI's non-executive Directors ("NEDs"), the Managing Director ("MD") and Disclosed Executives. Disclosed Executives are defined as those direct reports to the MD with responsibility for the strategic direction of GDI and includes all members of the executive management team.

The Remuneration Report has been prepared in accordance with section 300A of the Corporations Act and has been audited as required by section 308(3C) of the Corporations Act 2001 and forms part of the Directors' Report.

5.2 Key Management Personnel

The KMP disclosed in this year's Remuneration Report are detailed in the table below.

Key Management Personnel

<i>Non-Executive Directors</i>		<i>Appointed</i>	<i>Term as a KMP for year</i>
Gina Anderson ¹	Independent Chairman	5 November 2013	Full year
John Tuxworth	Independent Director	20 February 2017	Full year
Giles Woodgate	Independent Director	16 November 2017	Full year
Stephen Burns	Independent Director	15 November 2018	7.5 months
Graham Kelly ¹	Independent Chairman	5 November 2013	4.5 months
<i>Managing Director</i>			
Steve Gillard		5 November 2013	Full year
<i>Disclosed Executives</i>			
David Williams	Chief Financial Officer, Joint Company Secretary		Full year
John Garland	Head of Property		Full year
Paul Malek	Asset Management		Full year
Greg Marr	Head of Unlisted Funds		Full year

1. Mr Graham Kelly retired from the Board on 15 November 2018. Ms Gina Anderson was appointed Chairman of the Board on 15 November 2018.

5.3 Role of the Board in relation to remuneration

The Board has established a Nomination and Remuneration Committee (N&RC). The N&RC is responsible for:

- reviewing and making recommendations to the Board on remuneration and succession matters related to the MD and other Disclosed Executives;

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

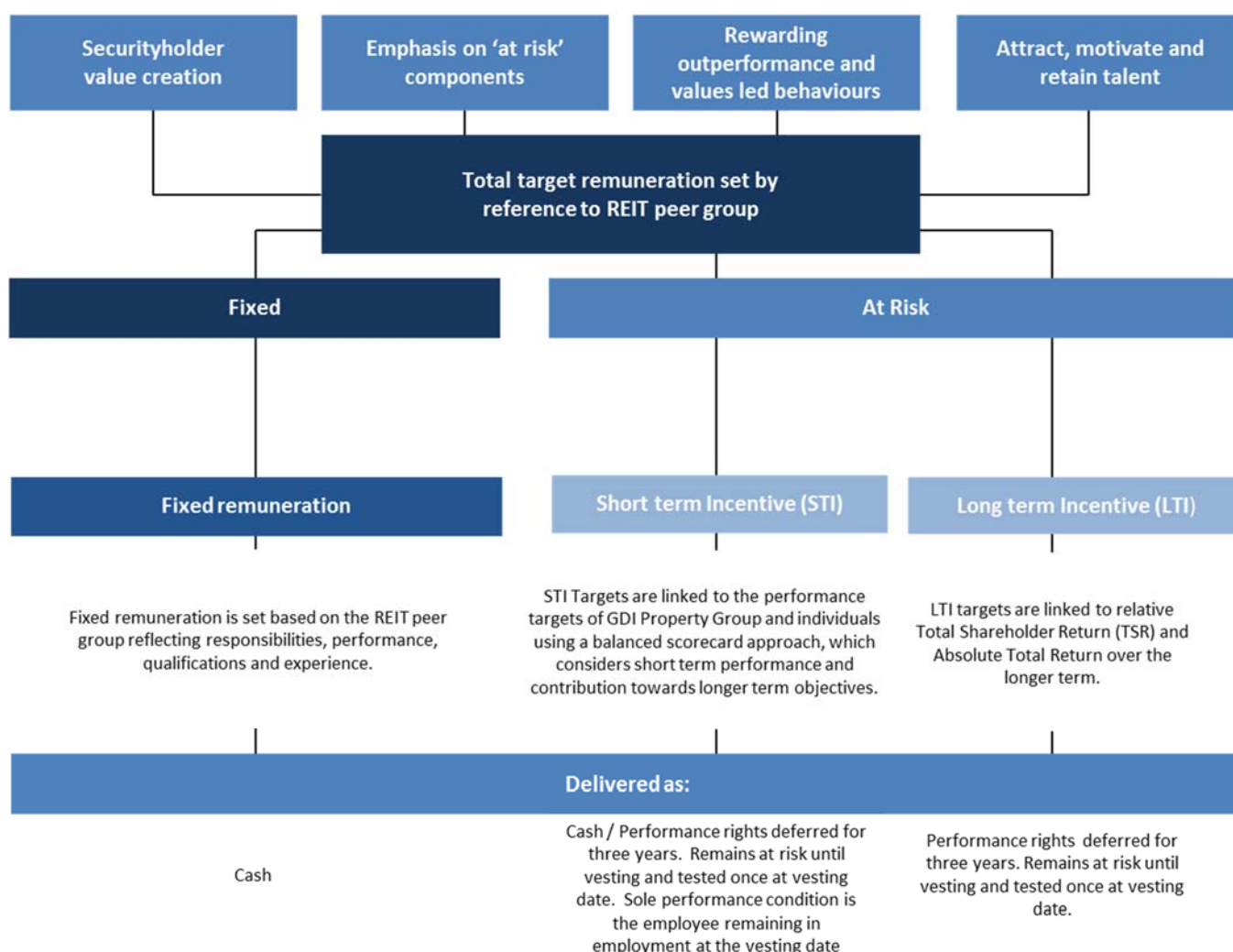
- reviewing and making recommendations to the Board on remuneration relating to Non-Executive Directors;
- overseeing a Board performance evaluation programme, which addresses the performance of individual directors;
- designing incentive plans; and
- determining remuneration structures for the Managing Director and Disclosed Executives.

The N&RC did not receive any recommendations from remuneration consultants during the period in relation to the remuneration arrangements of KMP.

5.4 Remuneration objectives

The following principles shape GDI's remuneration strategy:

- creating and enhancing value for all GDI stakeholders;
- emphasising the 'at risk' component of total remuneration to increase alignment with security holders and encourage behaviour that supports both entrepreneurship and long term financial soundness within the confines of GDI's risk management framework;
- rewarding performance; and
- providing a competitive remuneration proposition to attract, motivate and retain the highest quality individuals within a framework of ethical standards of behaviour.



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For the financial year ended 30 June 2019

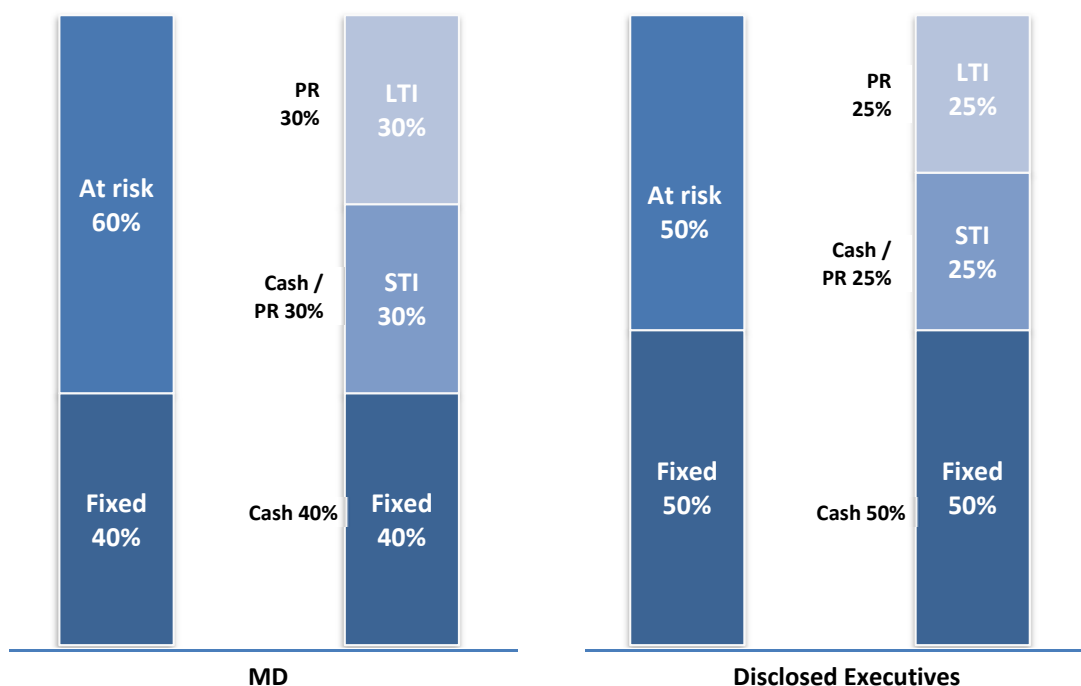
5.5 The composition of remuneration at GDI

The Board aims to find a balance between:

- fixed and at-risk remuneration;
- short and long term incentives;
- amounts paid in cash and performance rights.

The below chart provides an overview of the target remuneration mix for the MD and Disclosed Executives.

Remuneration mix for the Managing Director and Disclosed Executives



The MD's target remuneration mix is weighted such that a higher component is at-risk (60%), with an equal weighting of the at-risk component between STIs and LTIs. Should an STI be granted, it can be delivered as either cash or performance rights where the principle performance condition is the employee remaining in employment at the vesting date, three years after the conclusion of the performance year.

The Disclosed Executives target remuneration mix is weighted equally between fixed and at-risk components, with an equal weighting of the at-risk component between STIs and LTIs. Should an STI be granted, it can be delivered as either cash or performance rights where the principle performance condition is the employee remaining in employment at the vesting date, three years after the conclusion of the performance year.

Fixed remuneration

GDI positions fixed remuneration for the MD and Disclosed Executives against relevant A-REIT comparables taking in to consideration the role, responsibilities, performance, qualifications and experience. A-REIT comparables are considered the most relevant as this is the main pool for sourcing talent and where key talent may be lost.

Fixed remuneration is expressed as a total dollar amount which can be taken as cash salary, superannuation contributions and other nominated benefits.

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At risk remuneration

The at risk component forms a significant part of the MD and Disclosed Executives target remuneration.

Short term incentives (STI)

The STI provides an annual opportunity for an incentive award. Individuals are assessed on a balanced scorecard based on measures relating to longer term performance outcomes aligned to GDI's strategic objectives, as well as annual goals and workplace behaviours, including leadership and commitment. For the MD and Disclosed Executives, the weighting of these measures will vary to reflect the responsibilities of each role and their individual KPIs set at the commencement of each year. Notwithstanding any individual meeting or exceeding their performance measures, or some thereof, the N&RC may determine to reduce (but not increase) their STI entitlement at its absolute discretion.

Long term incentives (LTI)

The LTI provides an annual opportunity for an equity award deferred for three years that aligns a significant portion of overall remuneration to security value over the longer term. LTI awards will remain at risk until vesting and must meet or exceed a relative Total Securityholder Return (50% of performance rights issued) and /or an Absolute Total Return (the other 50% of performance rights issued). The table below summarises the conditions that will apply to the performance rights granted for the year ended 30 June 2019. These conditions are identical to those granted for all years since GDI's IPO. Details of the offers of performance rights are disclosed in Section 5.6 and 5.7 of this Remuneration Report.

Arrangements for the year ended 30 June 2019

Type of award	Performance right, being a right to acquire a stapled security at nil cost, subject to meeting time and performance hurdles. Upon exercise, each performance right entitles the MD and Disclosed Executives to one stapled security. The future value of the grant may range from zero to an undefined amount depending on performance against the hurdles and the security price at the time of exercise. Grants may be satisfied by a cash equivalent payment rather than stapled securities at the Board's discretion.	
Time restriction	Performance rights will be tested against the performance hurdles at the end of three years. Performance rights that do not vest will be forfeited.	
Vesting conditions	Performance rights will be subject to two tests, with half the performance rights subject to one test and the other half subject to the other test.	
	50% - Total Securityholder Return (TSR)	Vesting percentage (for TSR measure)
	Does not reach the 50 th percentile of the TSR of the Comparator Group	0%
	Reaches or exceeds the 50 th percentile of the TSR of the Comparator Group but does not reach the 75 th percentile	50%, plus 2% for every one percentile increase above the 50 th percentile
	Reaches or exceeds the 75 th percentile of the TSR Comparator Group	100%
	50% - Absolute Total Return (ATR)	Vesting percentage (for ATR measure)
	Does not achieve an ATR of 10%	0%
	Achieves or exceeds an ATR of 10% but does not achieve an ATR of 12%	50% up to 100% (at 12% ATR) on a straight line basis
	Achieves or exceeds an ATR of 12%	100%
Definitions		
TSR	Movement in security price and distributions. For the year ended 30 June 2019, the commencing security price is based on the 30 June 2019 closing security price of GDI and its Comparator Group	
ATR	Movement in NTA and distributions For the year ended 30 June 2019, the commencing NTA is based on the 30 June 2019 NTA.	

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Comparator Group	Dexus Property Group, GPT Group, Cromwell Property Group, Abacus Property Group, Growthpoint Properties Australia, Australian Unity Office Fund, Centuria Metropolitan REIT, 360 Capital Group, Charter Hall Group, Centuria Capital, and any other predominantly office landlord or real estate fund managers considered a comparator.
Valuation	The dollar value of the LTI grant is converted into a number of performance rights based on a valuation, taking into account factors including the performance conditions, security price volatility, term, distribution yield, and the security price at grant date. The value of the LTI performance rights are generally lower than the GDI security price at 30 June 2019.

Other remuneration elements

No change on previous years

GDI developed its remuneration policies and practices, its balanced scorecard approach to STIs and the vesting conditions of its LTIs as part of its IPO process in late 2013. Since that time the Board has seen no need to change any of its remuneration policies, procedures or conditions. No Board member has received a salary increase since IPO, and only David Williams (CFO and Joint Company Secretary, +\$25,000) and Paul Malek (Property Manager of GDI's WA portfolio, +\$50,000) have received any base pay increases over that period. GDI's strategy is to deliver an average of 12%p.a. total return (NTA growth + distributions), regardless of the property cycle and its capital structure. This has not changed since IPO, and nor have the remuneration measures that are linked to this, notwithstanding the significant change in GDI's portfolio (now 86% exposed to Perth) and its capital structure (Principal Facility geared to only 8.3%).

Clawback

The Board will have on-going and absolute discretion to adjust performance-based components of remuneration downwards, or to zero, at any time. Including after the grant of such remuneration, where the Board considers such an adjustment is necessary to protect the financial soundness of GDI, or if the Board subsequently considers that having regard to information which has come to light after the grant of performance rights, the granting of performance rights was not justified.

Hedging prohibition

As specified in GDI's Security Trading Policy and in accordance with the Corporations Act, equity allocated under a GDI incentive scheme must remain at risk until exercisable. As such, it will be a condition of grant that no schemes are entered into, either by an individual or their associated persons, which specifically protects the unvested value of performance rights. Doing so would constitute a breach of the grant conditions and would result in the forfeiture of the relevant performance rights.

Other employees

Given the relatively small number of staff at GDI, the Board believes that it is important to recognise the efforts of all employees and not just the Disclosed Executives and has granted the Managing Director discretion to grant both cash bonuses and participation in GDI's LTI plan to all employees on a merits basis. During the year ended 30 June 2019, cash bonuses to other employees totalled \$240,000 and 234,144 performance rights were issued to other employees with a value of \$240,000 and a 30 June 2019 employee benefit expense of \$60,000.

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

5.6 Performance and outcomes

5.6.1 GDI's performance and securityholder wealth

	Years	Opening security price	Movement in security price	Opening NTA	Movement in NTA	Distribution	TSR	TSR p.a.	ATR	ATR p.a.
		\$	\$	\$	\$	\$				
Since listing	5.54	1.0000	0.3850	0.91	0.34	0.4200	80.5%	14.5%	84.6%	15.3%
Since 1 July 2016	3	0.8850	0.5000	1.01	0.24	0.2325	82.8%	27.6%	47.8%	15.9%
Since 1 July 2018	1	1.2900	0.0950	1.18	0.08	0.0775	13.4%	13.4%	13.3%	13.3%
30 June 2019		1.3850		1.26		0.0775				

The Board considers that the financial measure that most accurately reflects GDI's performance on an annual basis is the ATR test, rather than the often-adopted growth in FFO or AFFO test by our Comparator Group. The nature of our business means that FFO and AFFO will be volatile, particularly where for example we buy properties that are 46% vacant (50 Cavill Avenue, Surfers Paradise), or sells assets where management believe the value has been maximised (66 Goulburn Street, Sydney) and uses the proceeds to reduce gearing. Regardless of the capital structure of GDI, the assets we hold, or the time of the property cycle, our intention is to deliver an ATR of 12%p.a. on a rolling three year basis, but to take the volatility out of our performance, to also deliver at least 10%p.a. each year. Therefore, an ATR test forms the basis of the financial measure in the balanced scorecard (see 5.6.4.1) and one half of the test for LTIs. We have been consistent with this measure and the hurdle rates since our IPO in 2013.

However, we also acknowledge that securityholders get rewarded through movements in the security price and distributions. Accordingly, the other half of our LTIs is tested against a peer group. Security price performance does not influence the balanced scorecard approach we utilise to determine KMP STIs.

5.6.2 Past issues of STI performance rights (FY16)

To enhance the alignment with securityholders, the FY16 STI granted to the MD and Disclosed Executives was split 50% cash, 50% performance rights where the principle performance condition was continued employment (or a good leaver) for three years from the conclusion of the performance year (FY19). In total, 551,341 performance rights were granted as part of the FY16 STI programme. The expense of these performance rights was incurred over four years, the year to which the performance period relates (FY16) and the three vesting years (FY17, FY18 and FY19). As all five employees who were granted STI performance rights in FY16 remain in employment, all these performance rights (551,341) vested. GDI intends to satisfy these performance rights by issuing 551,341 new securities to the relevant employees. These securities will not be subject to any escrow or other trading restrictions.

5.6.3 Past issues of LTI performance rights (FY16)

2,244,458 performance rights were granted as part of GDI's FY16 LTI plan. These performance rights were tested three years from issue, at which time they either vested or lapsed. As with the FY19 performance rights, the performance rights are subject to continued employment (or a good leaver) and either a TSR test (for 50% of the rights granted) or an ATR test (for 50% of the rights granted). One employee with 47,544 performance rights resigned during the vesting period, with his rights lapsing.

5.6.3.1 TSR test

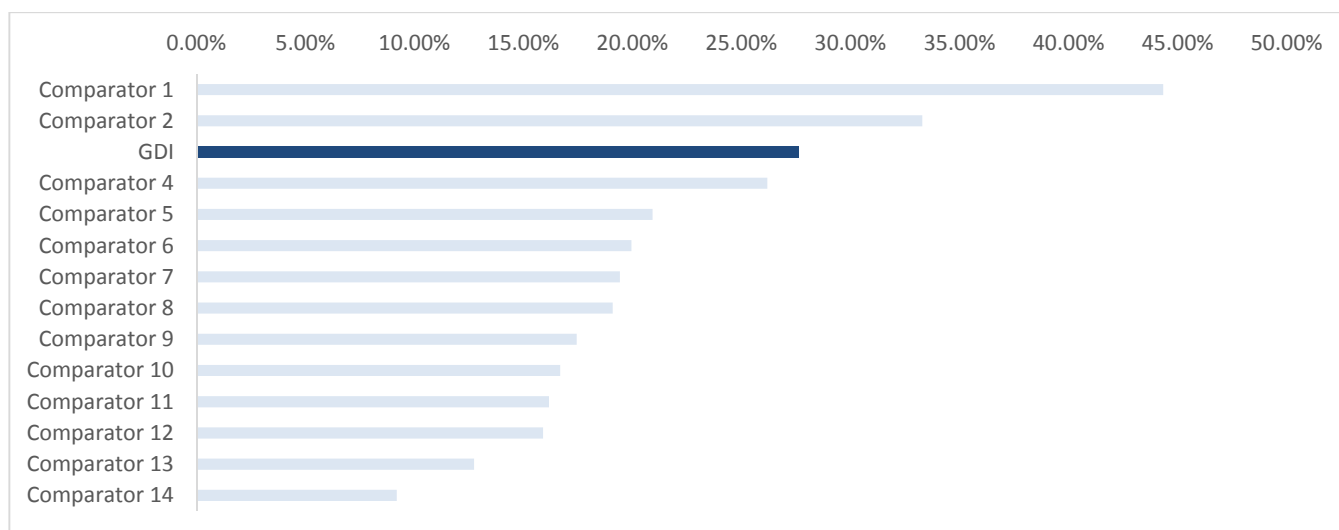
As at 30 June 2019, GDI's Comparator Group comprised 13 entities (14 including GDI). GDI's TSR for the three year period ended 30 June 2019 was 27.6%p.a., ranking 3rd out of 14 in the Comparator Group. As this placed GDI's TSR in the top 75th percentile of the TSR of the Comparator Group, all performance rights subject to this test (1,098,457) vested. GDI intends to satisfy these performance rights by issuing 1,098,457 new securities to the relevant employees. These securities will not be subject to any escrow or other trading restrictions.

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Total securityholder return p.a.



For FY16, the Comparator Group comprised the same entities that comprise the Comparator Group for the issue of FY19 LTIs (refer page 18) as well as the now delisted PropertyLink, Investa Office Fund and GPT Metro Office Fund.

5.6.3.2 ATR test

The ATR is determined by the movement in NTA over the vesting period plus distributions, divided by the commencing NTA. This is then divided by the vesting period (in this case three years) to determine the ATR per year.

Movement in NTA per security		Distributions per security		ATR per security	ATR %	ATR % p.a.
30 June 2016 NTA	\$1.01	FY17		\$0.0775		
30 June 2019 NTA	\$1.26	FY18		\$0.0775		
		FY19		\$0.0775		
Total movement	\$0.25	Total distributions	\$0.2325	\$0.4825	47.77%	15.92%

As the ATR exceeded the 12% maximum threshold, all performance rights subject to this test (1,098,457) vested on the signing of this financial report. GDI intends to satisfy these performance rights by issuing 1,098,457 new securities to the relevant employees. These securities will not be subject to any escrow or other trading restrictions.

5.6.4 Current year STI outcomes

5.6.4.1 KMP balanced scorecard

Detailed in the table below is a summary of the performance measures and outcomes of the balanced scorecard for the MD and Disclosed Executives.

	Financial		Operational		People culture and development		Total
	% weighting of total STI	% of total STI granted	% weighting of total STI	% of total STI granted	% weighting of total STI	% of total STI granted	Total STI granted %
Steve Gillard	40%	40%	30%	25%	30%	30%	95%
David Williams	30%	30%	50%	45%	20%	20%	95%
John Garland	20%	20%	70%	60%	10%	10%	90%
Paul Malek	20%	20%	70%	66%	10%	10%	96%
Greg Marr	20%	20%	70%	65%	10%	10%	95%

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

The following provides an explanation of the performance measures and outcomes.

Financial

For FY19, the financial measure was meeting or exceeding the minimum ATR target. The Board considers that the ATR measure closely aligns Executive STIs to GDI's financial objectives, regardless of capital structure or time of the cycle. This measure is used as both an annual test (STI) and for the LTIs, tested on a rolling three years basis. The Board acknowledges that the nature of GDI's business means that its ATR will have some level of annual volatility. For LTI purposes, the impact of this annual volatility is reduced because of the three-year testing cycle. Notwithstanding this volatility, the Board considers that an annual ATR test is the most appropriate financial measure for balanced scorecard purposes.

Executives receive a score of 50% of the balanced scorecard weighting to the financial outcome at an ATR of 10%p.a., to 100% at an ATR of 12%p.a.

Minimum FY19 ATR target	FY19 ATR	Achieved (Y/N)
10% - 12%	13.3%	Y

Operational

Operational measures for the MD and Disclosed Executives reflect the responsibilities of each role. For example, the Head of Property's performance is weighted towards asset management and sustainability, whilst the CFO and Joint Company Secretary's are weighted towards capital management and reporting, risk management and compliance.

During FY19, a summary of the operational objectives and balanced scorecard outcomes is provided in the table below:

Executive	Key operational targets	Commentary	Weighting as a % of total potential STI	Amount awarded as a % of total potential STI
Steve Gillard	<ul style="list-style-type: none"> Oversight of all asset management strategies Management of identified capital transactions 	<ul style="list-style-type: none"> Largely exceeded Largely exceeded 	30%	25%
David Williams	<ul style="list-style-type: none"> Refinancing's of expiring facilities on terms that are considered more favourable than market Consistently high-quality stakeholder engagement Oversight of all of GDI's compliance and risk management programmes 	<ul style="list-style-type: none"> Exceeded Achieved Largely exceeded 	50%	45%
Paul Malek	<ul style="list-style-type: none"> Leasing, particularly at Mill Green and momentum at Westralia Square Development progress at both Mill Green and Westralia Square Management of the refurbishment programme at Westralia Square Improvements in NABERS ratings for properties under management 	<ul style="list-style-type: none"> Exceeded Largely achieved Exceeded Achieved 	70%	66%
John Garland	<ul style="list-style-type: none"> Sale of 223 – 237 Liverpool Road, Ashfield Leasing and sales momentum at 10 Market Street, Brisbane, particularly sales of Levels 6 and 8 Improvements in NABERS ratings for properties under management 	<ul style="list-style-type: none"> Achieved Largely achieved Achieved 	70%	60%

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For the financial year ended 30 June 2019

Greg Marr	<ul style="list-style-type: none">• Stakeholder engagement with unlisted fund investors• Leasing at 6 Sunray Drive, Innaloo and Stanley Place	<ul style="list-style-type: none">• Exceeded• Largely achieved	70%	65%
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People, culture and development

The MD and Disclosed Executives are expected to demonstrate strong leadership and commitment, with those that have direct reports also monitored by their people management and people development skills. Since IPO only one employee has resigned from GDI and this stable workforce has created a unique culture.

Specific objectives achieved by KMP during the year included

- progressing the development of all staff through both 'on the job' and formal training;
- greater focus on achieving key objectives and provided regular performance feedback;
- following the retirement of Mr Graham Kelly, the seamless transition of Ms Gina Anderson to the position of Chairman and the appointment of Mr Stephen Burns to the Board, completing the Board renewal programme.

Securityholder alignment

To enhance the alignment with securityholders, the N&RC determined that any STI granted to the MD and Disclosed Executives would be split 50% cash, 50% performance rights where the principle performance condition is continued employment (or a good leaver) for three years from the conclusion of the performance year. The expense of these performance rights is incurred over four years, the year to which the performance period relates (FY19) and the three vesting years (FY20, FY21 and FY22). As these performance rights had not been issued by 30 June 2019, GDI has recognised the fair value of them as an accrual with the cost recognised as an employee benefit expense. Once the rights are issued, the accrual will be reversed with a corresponding increase in the security-based payments reserve in equity.

Although a Black-Scholes option pricing model is used to calculate the value and consequentially the number of 'STI' performance rights granted to each employee, the value of each performance right is the same as the 30 June 2019 GDI closing price, meaning there is no difference between the value of the performance right or GDI's securities.

Further details of the STI outcomes for the MD and Disclosed Executives are provided in Section 5.7 of this Remuneration Report. The issue of performance rights to the MD is subject to securityholder approval at the Annual General Meeting to be held on 14 November 2019.

5.6.5 LTI outcomes

The Board considers it is important to both align executive remuneration with securityholders outcomes and to encourage behaviour that supports both entrepreneurship and long term financial soundness within the confines of GDI's risk management framework. As a result, GDI grants performance rights to the MD and Disclosed Executives as part of their annual remuneration package. The issue of performance rights to the MD is subject to securityholder approval at the Annual General Meeting to be held on 14 November 2019. The expense of the performance rights relating to the year ended 30 June 2019 is incurred over four years, the year to which the performance period relates (FY19) and the three vesting years (FY20, FY21 and FY22). As the performance rights had not been issued by 30 June 2019, GDI has recognised the fair value of them as an accrual with the cost recognised as an employee benefit expense. Once the rights are issued, the accrual will be reversed with a corresponding increase in the security-based payments reserve in equity.

Further details of the LTI performance rights granted for the MD (subject to approval) and Disclosed Executives are provided in Section 5.7 of this Remuneration Report.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2019

5.7 Remuneration outcomes

Non-Executive Directors

Principles underpinning the remuneration policy for Non-Executive Directors (NEDs) are as provided below:

Principle	Comment				
Aggregate Board fees are within the maximum disclosed to securityholders in the Offer Document	The aggregate fee pool for NED's as disclosed in the Offer Document is \$3.0 million. The annual total of NEDs' fees, including superannuation contributions, is within this limit.				
Fees are set by reference to key considerations	Board fees are set by reference to a number of relevant considerations including: <ul style="list-style-type: none"> • general industry practice and best principles of corporate governance; • the responsibilities and risks attached to the role of NEDs; • the expected time commitments; and • reference to fees paid to NEDs of comparable companies. 				
The remuneration structure preserves independence	NED fees are not linked to the performance of GDI and NEDs are not eligible to participate in any of GDI's incentive arrangements.				
Annual Board fees (inclusive of superannuation)	<table> <tr> <th>Chairman</th><th>Other NED</th></tr> <tr> <td>\$150,000</td><td>\$75,000</td></tr> </table>	Chairman	Other NED	\$150,000	\$75,000
Chairman	Other NED				
\$150,000	\$75,000				

Details of non-executive Directors statutory remuneration are disclosed in the remuneration table in section 5.8 below.

Managing Director contract terms

The following sets out details of the contract terms relating to the MD. The contract terms are in line with industry practice and ASX Corporate Governance Principles.

Fixed remuneration	\$765,000, inclusive of superannuation.
Participation in performance rights plan	Subject to stapled securityholder approvals, Mr Gillard is entitled to participate in the performance rights plan.
Length of contract	Mr Gillard commenced as Managing Director on 16 December 2013 and is on a permanent contract, which is an ongoing employment contract until notice is given.
Notice periods	<ul style="list-style-type: none"> • Mr Gillard may terminate the employment contract at any time by giving six months' notice in writing. • GDI may terminate the employment contract for any reason by giving 12 months' notice, or alternatively, payment in lieu of notice. • In the event of wilful negligence or serious misconduct, GDI may terminate Mr Gillard's employment contract immediately by notice in writing and without payment.
Restraint of trade	Mr Gillard will be subject to a restraint period of six months from termination.

Managing Director's remuneration outcome

Actual remuneration provided to the MD for the period ended 30 June 2019 is provided below, with the expense relating to the MD's remuneration disclosed in section 5.8 below.

Fixed remuneration	The MD received \$765,000 of fixed remuneration for the year ended 30 June 2019, inclusive of superannuation.
STI	The MD received an STI award of \$545,063, 95% of his potential entitlement, based on the Balanced Scorecard approach discussed above.

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

Subject to securityholder approval, the STI will be paid 50% in cash and 50% in performance rights where the principle performance condition is remaining employed by a GDI entity for three years after the conclusion of the performance year. Further details of the actual STI awarded to the MD are provided in the table below on page 25 of this Remuneration Report.

LTI	The MD received an LTI award of \$573,750 value, being 559,730 performance rights. Fifty percent of these are subject to a Total Securityholder Return test (versus a peer group) and the other fifty percent are subject to an Absolute Total Return test (NTA growth plus distributions). Each performance right is tested once three years after the conclusion of the performance year. Details of the actual LTI awarded to the MD are provided in the table below on page 25 of this Remuneration Report.
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Disclosed Executive contract terms

	David Williams	John Garland	Paul Malek	Greg Marr
Fixed remuneration	\$400,000	\$350,000	\$350,000	\$300,000
Participation in performance rights plan	Disclosed Executives are entitled to participate in the performance rights plan.			
Length of contract	Disclosed Executives are subject to an ongoing employment contract until notice is given.			
Notice periods	<ul style="list-style-type: none"> Disclosed Executives may terminate the employment contract at any time by giving three months' notice in writing. GDI may terminate the employment contract for any reason by giving three months' notice, or alternatively, payment in lieu of notice. In the event of wilful negligence or serious misconduct, GDI may terminate a Disclosed Executive's employment contract immediately by notice in writing and without payment. 			
Restraint of trade	Disclosed Executives will be subject to a restraint period of three months from termination.			

Disclosed Executives remuneration outcomes

Actual remuneration provided to Disclosed Executives for the period ended 30 June 2019 is provided below, with the remuneration table disclosed in section 5.8 below.

Fixed remuneration	The Disclosed Executives received the fixed remuneration shown above, inclusive of superannuation.
STI	The Disclosed Executives received an STI as shown in the table on page 25 of this Remuneration Report. The STI has been paid 50% in cash and 50% in performance rights where the principle performance condition is remaining employed by a GDI entity for three years after the conclusion of the performance year.
LTI	The Disclosed Executives received an LTI as shown in the table on page 25 of this Remuneration Report. Fifty percent of these are subject to a Total Securityholder Return test (versus a peer group) and the other fifty percent are subject to an Absolute Total Return test (NTA growth plus distributions). Each performance right is tested once three years after the conclusion of the performance year.

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

MD and Disclosed Executive STI outcomes

	Potential STI	STI granted	STI forgone	STI granted	STI forgone	Cash component	PR ¹ component	PR ¹ granted	FY19 PR ¹ expense	Total expense
	\$	\$	\$	%	%	\$	\$	Number	\$	\$
Steve Gillard ²	573,750	545,063	28,688	95%	5%	272,531	272,531	196,773	68,133	340,664
David Williams	200,000	190,000	10,000	95%	5%	95,000	95,000	68,592	23,750	118,750
John Garland	175,000	157,500	17,500	90%	10%	78,750	78,750	56,859	19,688	98,438
Paul Malek	175,000	168,000	7,000	96%	4%	84,000	84,000	60,650	21,000	105,000
Greg Marr	150,000	142,500	7,500	95%	5%	71,250	71,250	51,444	17,813	89,063
Total	1,273,750	1,203,063	70,688	94%	6%	601,531	601,531	434,318	150,383	751,914

1. Performance rights.
2. The issue of performance rights to Steve Gillard is subject to securityholder approval at the AGM to be held on 14 November 2019.

MD and Disclosed Executive LTI outcome

	LTI granted	PR ¹ granted	FY19 PR ¹ expense
	\$	Number	\$
Steve Gillard ²	573,750	559,730	143,438
David Williams	200,000	195,114	50,000
John Garland	175,000	170,724	43,750
Paul Malek	175,000	170,724	43,750
Greg Marr	150,000	146,336	37,500
Total	1,273,750	1,242,628	318,438

1. Performance rights.
2. The issue of performance rights to Steve Gillard is subject to securityholder approval at the AGM to be held on 14 November 2019.

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For the financial year ended 30 June 2019

MD and Disclosed Executive summary of performance rights issued¹

Vesting date	Primary performance condition employment				FY17 LTI		FY18 LTI		FY19 LTI		Total LTI		Total PR
	FY17 STI	FY18 STI	FY19 STI ⁴	Total	TSR ²	ATR ³	TSR ²	ATR ³	TSR ^{2,4}	ATR ^{3,4}	TSR ²	ATR ³	
	30-Jun-20	30-Jun-21	30-Jun-22		30-Jun-20	30-Jun-20	30-Jun-21	30-Jun-21	30-Jun-22	30-Jun-22			
Steve Gillard	279,878	222,384	196,773	699,035	382,730	382,730	306,622	306,622	279,865	279,865	969,217	969,217	2,637,469
David Williams	91,463	77,519	68,592	237,574	125,076	125,076	106,884	106,884	97,557	97,557	329,517	329,517	896,608
John Garland	85,366	67,829	56,859	210,054	116,737	116,737	93,523	93,523	85,362	85,362	295,622	295,622	801,298
Paul Malek	79,268	67,829	60,650	207,747	108,399	108,399	93,523	93,523	85,362	85,362	287,284	287,284	782,315
Greg Marr	73,171	58,140	51,444	182,755	100,061	100,061	80,163	80,163	73,168	73,168	253,392	253,392	689,539
	609,146	493,701	434,318	1,537,165	833,003	833,003	680,715	680,715	621,314	621,314	2,135,032	2,135,032	5,807,229

1. Does not include performance rights issued in relation to FY16 that were tested as at 30 June 2019 and will vest shortly after the signing of this financial report.
2. Total shareholder return, being movement in the security price and distributions.
3. Absolute total return, being movement in NTA/security and distributions.
4. The issue of performance rights to Steve Gillard is subject to securityholders approval at the AGM to be held on 14 November 2019.

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DIRECTORS' REPORT

For the financial year ended 30 June 2019

5.8 KMP remuneration table

5.8.1 KMP remuneration table for the period ended 30 June 2019

	Security based payments															
	Short term benefits			Post employment	Long term benefits	Relating to prior periods						Relating to current period		Total remuneration ⁵		
						FY16	FY17	FY18	STI	LTI	Total	Performance related	Performance rights	Prior years' performance rights		
	Salary & fees	Accrued leave ²	Other ³	Cash bonus	Super contributions	Long service leave ²	Performance rights ⁴	Performance rights ⁴	Performance rights ⁴	Performance rights ⁴	Performance rights ⁴	remuneration				
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%	
Non-executive directors																
G Anderson ¹	111,561	-	-	-	10,598	-	-	-	-	-	-	122,159	-	-	-	
J Tuxworth	50,001	-	-	-	24,999	-	-	-	-	-	-	75,000	-	-	-	
G Woodgate	68,493	-	-	-	6,507	-	-	-	-	-	-	75,000	-	-	-	
S Burns ¹	43,068	-	-	-	4,091	-	-	-	-	-	-	47,159	-	-	-	
G Kelly ¹	51,370	-	-	-	4,880	-	-	-	-	-	-	56,250	-	-	-	
Managing Director																
S Gillard	740,000	(3,119)	-	272,531	25,000	16,182	200,813	215,156	215,156	68,133	143,438	1,893,290	59%	45%	33%	
Disclosed executives																
D Williams	375,000	(6,523)	1,170	95,000	25,000	8,461	66,797	70,313	75,000	23,750	50,000	783,967	49%	36%	27%	
J Garland	325,000	12,842	719	78,750	25,000	6,179	61,250	65,625	65,625	19,688	43,750	704,428	48%	36%	27%	
P Malek	329,468	-	420	84,000	20,532	10,243	53,438	60,938	65,625	21,000	43,750	689,413	48%	36%	26%	
G Marr	275,000	(7,338)	1,089	71,250	25,000	5,274	48,750	56,250	56,250	17,813	37,500	586,838	49%	37%	27%	
Total	2,368,961	(4,138)	3,398	601,531	171,607	46,339	431,047	468,281	477,656	150,383	318,438	5,033,503				

1. On 15 November 2018, Mr Graham Kelly retired from the Board, Mr Stephen Burns was appointed to the Board and Ms Gina Anderson appointed as Chairman of the Board.
2. Annual and long-term service leave are accounted on an accrual basis. The amounts represent the change in accrued leave during the period.
3. Other includes the cost of an annual gym membership and other items incurred by GDI as part of its employee health and wellbeing programme.
4. The amount shown is the fair value of performance rights under the various STI, LTI and retention plans included in the relevant financial period and does not represent actual STI or LTI awards made.
5. Amounts disclosed as total remuneration excludes insurance premiums paid by GDI in respect of Directors' and Officers' liability insurance contracts.

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DIRECTORS' REPORT

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5.8.2 KMP remuneration table for the period ended 30 June 2018

	Security based payments															
	Short term benefits			Post employment contributions	Long term benefits	Relating to prior periods						Relating to current period		Total remuneration ⁵		
	Salary & fees	Accrued leave ²	Other ³			FY14	FY15	FY16	FY17	Performance rights ⁴	Performance rights ⁴	Performance rights ⁴	Performance rights ⁴	Performance related	Performance rights	Prior years performance rights
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
Non-executive directors																
G Kelly	136,984	-	-	-	13,014	-	-	-	-	-	-	-	-	149,998	-	-
G Anderson	58,293	-	-	-	16,707	-	-	-	-	-	-	-	-	75,000	-	-
J Tuxworth	50,000	-	-	-	25,000	-	-	-	-	-	-	-	-	75,000	-	-
L Towell ¹	25,992	-	-	-	2,469	-	-	-	-	-	-	-	-	28,461	-	-
G Woodgate ¹	42,852	-	-	-	4,071	-	-	-	-	-	-	-	-	46,923	-	-
Managing Director																
S Gillard	740,000	28,070	-	286,875	25,000	11,110	23,811	229,500	200,813	215,156	71,719	143,438	1,975,491	59.29%	44.77%	33.88%
Disclosed executives																
D Williams	362,500	3,654	1,035	100,000	25,000	6,368	7,781	78,125	66,797	70,313	25,000	50,000	796,572	49.97%	37.41%	28.00%
J Garland	325,000	(2,854)	719	87,500	25,000	11,860	7,263	68,750	61,250	65,625	21,875	43,750	715,737	49.74%	37.52%	28.35%
P Malek	317,451	6,942	-	87,500	20,049	4,758	6,225	62,500	53,438	60,938	21,875	43,750	685,425	49.05%	36.29%	26.71%
G Marr	275,000	8,562	1,089	75,000	25,000	6,679	-	47,500	48,750	56,250	18,750	37,500	600,079	47.29%	34.79%	25.41%
Total	2,334,072	44,373	2,843	636,875	181,310	40,774	45,079	486,375	431,047	468,281	159,219	318,438	5,148,686			

1. Mr Les Towell retired from the Board on 16 November 2017. Mr Giles Woodgate was appointed to the Board on 16 November 2017.
2. Annual and long term service leave are accounted on an accruals basis. The amounts represent the change in accrued leave during the period.
3. Other includes the cost of an annual gym membership and other items incurred by GDI as part of its employee health and wellbeing programme.
4. The amount shown is the fair value of performance rights under the various STI, LTI and retention plans included in the relevant financial period and does not represent actual STI or LTI awards made.
5. Amounts disclosed as total remuneration excludes insurance premiums paid by GDI in respect of Directors' and Officers' liability insurance contracts.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2019

5.9 Transactions with KMP

5.9.1 Equity instrument disclosure relating to KMP

	Securities held at the beginning of the period	Securities transferred in satisfaction of performance rights	Net securities bought / (sold)	Securities held at the end of the period
Directors				
Gina Anderson	70,000	-	-	70,000
Steve Gillard	29,200,000	1,304,143	(1,311,221)	29,192,922
John Tuxworth	140,300	-	-	140,300
Giles Woodgate	-	-	-	-
Stephen Burns ¹	27,533	-	-	27,533
Graham Kelly ²	250,000	-	-	-
Other key management personnel				
David Williams	596,875	440,477	(37,352)	1,000,000
John Garland	236,250	392,064	(50,535)	577,779
Paul Malek	182,500	352,382	(10,000)	524,882
Greg Marr	64,717	283,810	-	348,527

1. Stephen Burns was appointed as a Director on 15 November 2018.

2. Graham Kelly resigned as a Director on 15 November 2018 and held 250,000 securities at that time

There were no other transactions with KMP in the year ended 30 June 2019.

6. Other Disclosures

6.1 Indemnification and Insurance of Directors and Officers

GDI provides a Deed of Indemnity and Access (Deed) in favour of each Director of GDI and its controlled entities. The Deed indemnifies the Directors on a full indemnity basis to the extent permitted by law for losses, liabilities, costs and charges incurred as a Director of GDI, its controlled entities or such other entities.

Subject to specified exclusions, the liabilities insured are for costs that may be incurred in defending civil or criminal proceedings that may be brought against directors and officers in their capacity as Directors, its controlled entities or such other entities, and other payments arising from liabilities incurred by the Directors in connection with such proceedings. GDI has agreed to indemnify the auditors out of the assets of GDI if GDI has breached the agreement under which the auditors are appointed.

During the financial year, GDI paid insurance premiums to insure the Directors of GDI and its controlled entities. The terms of the contract prohibit disclosure of the premiums paid.

6.2 Rounding of Amounts

GDI is of a kind referred to in ASIC Class Order 98/100. Accordingly, amounts in the financial report have been rounded to the nearest thousand in accordance with that Class Order, unless stated otherwise.

6.3 Auditor

Hall Chadwick continues in office in accordance with section 327 of the *Corporations Act 2001*.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2019

6.4 Non-Audit Services

The following fees were paid or payable to Hall Chadwick for non-audit services provided during the year ended 30 June 2019:

Provision of tax advice	\$ 66,000
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The Directors have considered the non-audit services and other assurance services provided by the auditor during the financial period. In accordance with advice received from the Audit, Risk and Compliance Committee, the Directors are satisfied that:

- the non-audit services provided during the financial year by Hall Chadwick as the external auditor were compatible with the general standard of independence for auditors imposed by the Act; and
- any non-audit services provided during the financial year by Hall Chadwick as the external auditor did not compromise the auditor independence requirements of the Act for the following reasons:
 - (i) all non-audit services were reviewed and approved by the Audit, Risk and Compliance committee prior to commencement to ensure they would not adversely affect the integrity and objectivity of the auditor;
 - (ii) the fact that none of the non-audit services provided by Hall Chadwick during the financial year had the characteristics of management, decision making, self-review, advocacy or joint sharing of risks; and
 - (iii) the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

6.5 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 the following page.

Signed in accordance with a resolution of the directors of GDI Property Group Limited and GDI Funds Management Limited.



Gina Anderson
Chairman



Steve Gillard
Managing Director

Sydney

Dated this 26th day of August 2019



**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GDI PROPERTY GROUP LIMITED AND GDI FUNDS
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR GDI PROPERTY TRUST**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GDI Funds Management Limited as responsible entity for GDI Property Trust and GDI Property Group Limited and their controlled entities (collectively "GDI Property Group"). As the lead audit partner for the audit of the financial report of GDI Property Group for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit, and
- (b) any applicable code of professional conduct in relation to the audit

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney, NSW 2000

S. Kumar

Sandeep Kumar
Partner
Dated: 26 August 2019

SYDNEY

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GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	GDI		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue from ordinary activities					
Property revenue		74,547	70,875	74,596	70,875
Funds management revenue		2,129	4,710	-	-
Interest revenue		204	436	194	402
Other income		928	-	928	-
Total revenue from ordinary activities	2	77,807	76,022	75,718	71,277
Net fair value gain on interest rate swaps		377	818	377	818
Net fair value gain on investment property	10	36,011	37,195	36,011	37,195
Profit on sale of non-current asset		2,124	5,029	2,124	5,029
Total income		116,319	119,064	114,230	114,319
Expenses					
Property expenses		19,058	18,445	19,058	18,445
Finance costs	3	3,579	4,827	3,579	4,827
Corporate and administration expenses	4	8,111	7,896	6,355	3,627
Provision for impairment of debts	7	485	231	89	56
Acquisition expenses and discounted acquisitions		7	11,802	-	11,784
Total expenses		31,241	43,202	29,082	38,740
Profit before tax		85,078	75,862	85,148	75,579
Income tax benefit/(expense)	5	(8)	(101)	-	-
Net profit from continuing operations		85,070	75,761	85,148	75,579
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		85,070	75,761	85,148	75,579
Profit and total comprehensive income attributable to:					
Company shareholders		(78)	182	-	-
Trust unitholders		81,692	74,348	81,692	74,348
Profit and total comprehensive income attributable to:					
Stapled securityholders		81,614	74,529	81,692	74,348
External non-controlling interests		3,456	1,232	3,456	1,232
Profit after tax from continuing operations		85,070	75,761	85,148	75,579
Basic earnings per stapled security/trust unit	21	15.14	13.88	15.15	13.85
Diluted earnings per stapled security/trust unit	21	15.01	13.76	15.03	13.73

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP
FINANCIAL REPORT

As at 30 June 2019

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		GDI		Trust	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Current assets					
Cash and cash equivalents	6	18,775	22,361	17,202	20,873
Trade and other receivables	7	2,819	2,892	1,908	1,636
Other assets	8	2,574	1,649	3,224	2,483
Non-current assets held for sale	9	-	43,110	-	43,110
Total current assets		24,169	70,013	22,335	68,102
Non-current assets					
Investment properties	10	773,259	722,042	773,259	722,042
Plant and equipment	11	83	75	-	-
Deferred tax assets	12	1,149	1,157	-	-
Intangible assets	13	18,110	18,110	-	-
Total non-current assets		792,601	741,385	773,259	722,042
Total assets		816,769	811,398	795,593	790,145
Current liabilities					
Borrowings	17	-	31,924	-	31,782
Derivative financial instruments	14	-	377	-	377
Trade and other payables	15	26,303	28,962	25,005	27,516
Provisions	16	289	223	-	-
Total current liabilities		26,592	61,486	25,005	59,675
Non-current liabilities					
Borrowings	17	69,128	59,157	68,986	59,157
Provisions	16	163	167	-	-
Other liabilities		11	11	-	-
Total non-current liabilities		69,301	59,335	68,986	59,157
Total liabilities		95,893	120,821	93,991	118,832
Net assets		720,876	690,578	701,602	671,313
Equity					
Contributed equity	18	22,301	22,214	502,262	500,335
Reserves	19a	193	194	4,269	4,279
Retained earnings	19b	(3,221)	(3,143)	170,414	130,539
Equity attributable to equity holders of the Company/Trust		19,274	19,265	676,945	635,153
Non-controlling interests					
Unitholders of the Trust					
Contributed equity	18	502,262	500,335	-	-
Reserves	19a	4,269	4,279	-	-
Retained earnings	19b	170,414	130,539	-	-
Total equity attributable to trust unitholders		676,945	635,153	-	-
Equity attributed to holders of stapled securities		696,218	654,418	-	-
External non-controlling interest					
Contributed equity		36,890	36,890	36,890	36,890
Retained earnings		(59)	(730)	(59)	(730)
Return of capital		(12,174)	-	(12,174)	-
Total equity attributable to external non-controlling interest		24,657	36,160	24,657	36,160
Total equity		720,876	690,578	701,602	671,313

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2019

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

GDI

	Equity attributable to securityholders of GDI						
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total \$'000	Non-controlling interest (Trust) \$'000	Non-controlling interest (GDI No. 42 Office Trust) \$'000	Total equity \$'000
Balance as at 1 July 2017	22,264	125	(3,332)	19,057	601,823	38,156	659,036
Comprehensive income							
(Loss)/profit for the period	-	-	182	182	74,348	1,232	75,761
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	182	182	74,348	1,232	75,761
Transactions with securityholders in their capacity as securityholders							
Issue and formation costs	-	-	-	-	(1)	-	(1)
Security-based payments expense	-	87	-	87	1,917	-	2,004
Cash settlement transaction	-	(10)	-	(10)	(230)	-	(240)
Transfer from security based payment reserve	-	(7)	7	-	-	-	-
On-market securities buy-back	(50)	-	-	(50)	(1,112)	-	(1,163)
Distributions paid/payable	-	-	-	-	(41,592)	(3,228)	(44,819)
Total	(50)	69	7	26	(41,017)	(3,228)	(44,219)
Balance as at 30 June 2018	22,214	194	(3,143)	19,265	635,153	36,160	690,578
Balance as at 1 July 2018	22,214	194	(3,143)	19,265	635,153	36,160	690,578
Comprehensive income							
(Loss)/profit for the period	-	-	(78)	(78)	81,692	3,456	85,070
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	(78)	(78)	81,692	3,456	85,070
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense	-	89	-	89	1,956	-	2,045
Equity issued	89	(89)	-	-	-	-	-
On-market securities buy-back	(2)	-	-	(2)	(39)	-	(41)
Return of capital	-	-	-	-	-	(12,174)	(12,174)
Distributions paid/payable	-	-	-	-	(41,817)	(2,784)	(44,601)
Total transactions with securityholders in their capacity as securityholders	87	-	-	87	(39,900)	(14,958)	(54,771)
Balance as at 30 June 2019	22,301	193	(3,221)	19,274	676,944	24,658	720,876

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2019

Trust

	Equity attributable to unitholders of the Trust				External non-controlling interest (GDI No. 42 Office Trust)	Total equity
	Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000	Total equity attributable to unitholders of the Trust \$'000		
Balance as at 1 July 2017	501,448	2,752	97,624	601,823	38,156	639,979
Comprehensive income						
Profit for the period	-	-	74,348	74,348	1,232	75,579
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	74,348	74,348	1,232	75,579
Transactions with unitholders in their capacity as unitholders						
Issue and formation costs	(1)	-	-	(1)	-	(1)
Security-based payments expense	-	1,917	-	1,917	-	1,917
Cash settlement transaction	-	(230)	-	(230)	-	(230)
On-market securities buy-back	(1,112)	-	-	(1,112)	-	(1,112)
Transfer from security based payment reserve	-	(160)	160	-	-	-
Distributions paid/payable	-	-	(41,592)	(41,592)	(3,228)	(44,819)
Total transactions with unitholders in their capacity as unitholders	(1,113)	1,527	(41,431)	(41,017)	(3,228)	(44,245)
Balance as at 30 June 2018	500,335	4,279	130,539	635,153	36,160	671,313
Balance as at 1 July 2018	500,335	4,279	130,539	635,153	36,160	671,313
Comprehensive income						
Profit for the period	-	-	81,692	81,692	3,456	85,148
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	-	-	81,692	81,692	3,456	85,148
Transactions with unitholders in their capacity as unitholders						
Security-based payments expense	-	1,956	-	1,956	-	1,956
Equity issued	1,966	(1,966)	-	-	-	-
On-market securities buy-back	(39)	-	-	(39)	-	(39)
Return of capital	-	-	-	-	(12,174)	(12,174)
Distributions paid/payable	-	-	(41,817)	(41,817)	(2,784)	(44,601)
Total transactions with unitholders in their capacity as unitholders	1,927	(10)	(41,817)	(39,900)	(14,958)	(54,858)
Balance as at 30 June 2019	502,263	4,269	170,414	676,945	24,657	701,602

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2019

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	GDI		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Cash flows from operating activities					
Receipts in the course of operations		76,513	75,671	74,484	73,360
Payments in the course of operations		(22,179)	(19,925)	(20,395)	(18,333)
Interest received		204	436	194	402
Interest paid		(3,302)	(4,535)	(3,301)	(4,535)
Net cash inflow from operating activities	25	51,236	51,646	50,982	50,893
Cash flows from investing activities					
Payments for investment properties		-	(21,520)	-	(21,520)
Proceeds from sale of investment properties net of transaction costs		45,274	228,029	45,274	228,029
Payments for capital expenditure		(13,758)	(11,973)	(13,758)	(11,973)
Payments for plant and equipment		(26)	-	-	-
Payments of incentives and leasing fees		(7,238)	(5,662)	(7,238)	(5,662)
(Loan to)/repayment of loans from associated companies		(143)	512	(2)	1,217
Net cash used in investing activities		24,110	189,385	24,277	190,091
Cash flows from financing activities					
Payments for the on-market buy-back of securities		(41)	(1,163)	(39)	(1,112)
Payment of loan transaction costs		(208)	(244)	(208)	(244)
Payment of dividends/distributions		(44,489)	(44,862)	(44,489)	(44,862)
Proceeds from borrowings		10,960	39,000	10,960	39,000
Repayment of borrowings		(32,980)	(234,514)	(32,980)	(234,514)
Return of capital		(12,174)	-	(12,174)	-
Net cash from financing activities		(78,932)	(241,782)	(78,929)	(241,732)
Net decrease in cash and cash equivalents		(3,586)	(751)	(3,671)	(747)
Cash and cash equivalents at beginning of year		22,361	23,112	20,873	21,620
Cash and cash equivalents at the end of the year	6	18,775	22,361	17,202	20,873

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GDI Property Group (“GDI”) was formed by the stapling of GDI Property Group Limited (the “Company”) and GDI Property Trust (the “Trust”). The Responsible Entity of the Trust is GDI Funds Management Limited, a wholly owned subsidiary of the Company. GDI was established for the purpose of facilitating a joint quotation of the Company and the Trust on the ASX. The constitutions of the Company and the Trust, together with a Co-operation Deed dated 25 November 2013, ensure that for so long as the two entities remain jointly quoted, the number of units in the Trust and shares in the Company shall be equal and the unitholders and the shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interests of GDI. The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013 and registered as a management investment scheme on 18 November 2013.

The Company has been deemed the parent entity of the Trust. The consolidated financial statements and notes represent those of the Company and its controlled entities, including the Trust and its controlled entities as the deemed acquiree. The financial report includes separate financial statements for:

- GDI, consisting of the Company, the Trust and their controlled entities; and
- the Trust, consisting of GDI Property Trust and its controlled entities.

The financial statements are authorised for issue on 26 August 2019 by the directors of the Company and the Responsible Entity of the Trust.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with 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. GDI is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements 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.

(b) Consolidated financial statements

The Financial Reports of the Company and its subsidiaries and the Trust and its subsidiaries have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining or consolidating accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange (“ASX”).

The shares of the Company and the units in the Trust are stapled and issued as stapled securities of GDI. Whilst the shares and units are stapled, they cannot be traded separately and can only be traded as stapled securities. The stapling occurred on 16 December 2013, with trading on the ASX commencing on 17 December 2013.

The stapling has been accounted for pursuant to AASB 3: Business Combinations. The Company has been identified as the acquirer of the Trust whereby the Trust’s net assets are attributed to the trust unitholders. In this regard, the unitholders are treated as the non-controlling interest in the financial statements of GDI, despite the fact that such owners also have an equal interest in the Company.

(c) Principles of consolidation

The consolidated financial statements incorporate all of the assets, liabilities and results of all controlled entities for the year ended 30 June 2019, that is the Company and its subsidiaries and the Trust and its subsidiaries, collectively referred to as GDI.

Subsidiaries are entities GDI controls. GDI controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of the controlled entities is provided in Note 31.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of GDI from the date on which control is obtained. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany 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 GDI.

(d) Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses. A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(e) New accounting policies

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

AASB 9 introduces various new concepts including:

- amended rules for hedge accounting;
- changes to the categorisation and measurement of financial assets particularly affecting those measured as available for sale (AFS) or held to maturity (HTM);
- new methods of calculating impairment losses of financial assets; and
- a change to the rules surrounding the modification of financial liabilities measured at amortised cost.

GDI has adopted AASB 9 Financial Instruments with an initial application date of 1 July 2018. GDI has applied AASB 9 retrospectively and the cumulative effect of initially applying the standard was nil, so no adjustments were required on transition.

See note 1(n) for more details on how GDI applies AASB 9.

AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018).

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires a five step analysis of transactions to determine whether, how much and the point at which revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

GDI has adopted AASB 15 *Revenue from Contracts with Customers* with an initial application date of 1 July 2018. GDI has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised in opening retained earnings. The cumulative effect of initially applying the standard was nil, so no adjustments were required to net profit or opening retained earnings on transition as the timing of revenue recognition has not changed for GDI's contracts that were in progress at 1 July 2018.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

See note 1(q) for more details on how GDI applies AASB 15.

(f) Goodwill

Goodwill is carried at cost less any accumulated impairment losses.

Goodwill is calculated as the excess of the sum of:

- the consideration transferred;
- any non-controlling interest (determined under either the full goodwill or proportionate interest method); and
- the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

The acquisition date fair value of the consideration transferred for a business combination plus the acquisition date fair value of any previously held equity interest shall form the cost of the investment in the separate financial statements.

Fair value re-measurements in any pre-existing equity holdings are recognised in profit or loss in the period in which they arise. Where changes in the value of such equity holdings had previously been recognised in other comprehensive income, such amounts are recycled to profit or loss.

Goodwill on acquisition of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates.

Goodwill is tested for impairment annually and is allocated to GDI 's cash-generating unit or groups of cash-generating units, representing the lowest level at which goodwill is monitored being not larger than an operating segment.

Gains and losses on the disposal of an entity include the carrying amount of goodwill related to the disposed of entity.

Changes in the ownership interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions and do not affect the carrying amounts of goodwill.

(g) Income Tax

(i) Trust

Under current income tax legislation the Trust is not liable to pay tax provided its taxable income and taxable realised capital gains are distributed to unitholders. The liability for capital gains tax that may arise if the investment properties owned by the Trust, either directly or indirectly, were sold is not accounted for in this Financial Report.

(ii) Company and other taxable entities

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

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

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

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

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

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

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

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

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where:

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

(iii) Tax consolidation

The Company and its wholly owned subsidiaries (excluding the Trust and its wholly owned subsidiaries) have formed a tax-consolidated group with effect from 16 December 2013 and are therefore taxed as a single entity from that date. The head entity of the tax-consolidated group is the Company.

Current tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group, using the 'separate taxpayer within group' approach by reference to the carrying amounts of the assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation.

Any current tax liabilities or assets and deferred tax assets arising from unused tax losses of the subsidiaries are assumed by the head entity in the tax-consolidated group and are recognised as amounts payable (receivable) to (from) other entities in the tax-consolidated group in conjunction with any funding arrangement amounts referred to below. Any difference in these amounts is recognised by the Company as an equity contribution or distribution.

The Company recognises deferred tax assets arising from unused tax losses of the tax-consolidated group to the extent that it is probable that the future taxable profits of the tax-consolidated group will be available against which the asset can be utilised. Any subsequent period adjustment to deferred tax assets arising from unused tax losses, as a result of revised assessments of the probability of recoverability, is recognised by the head entity only.

(iv) Nature of tax funding arrangements and tax sharing arrangements

The Company, in conjunction with other members of the tax-consolidated group, has entered in to a tax funding arrangement, which sets out the funding obligations of the members of the tax-consolidated group in respect of tax amounts. The tax funding arrangements require payments to/from the Company equal to the current tax liability (asset) assumed by the Company and any tax-loss/deferred tax asset assumed by the Company, resulting in the Company recognising an inter-entity receivable (payable) equal in amount to the liability (asset) assumed. The inter-entity receivable (payable) are at call.

Contributions to fund the current tax liabilities are payable as per the tax funding arrangement and reflect the timing of the Company's obligation to make payments for tax liabilities to the relevant tax authorities.

The Company, in conjunction with other members of the tax-consolidated group, has also entered in to a tax sharing arrangement. The tax sharing arrangement provides for the determination of the allocation of income tax liabilities between the entities should the Company default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement, as payment of any amounts under the tax sharing agreement is considered remote.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

(h) Plant and equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to GDI and the cost of the item can be measured reliably. All repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using both the straight line and diminishing values method to allocate costs of assets, net of their residual values, over their estimated useful lives, as follows:

Class	Rate
Furniture and fittings	2% - 67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. 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 disposals are determined by comparing proceeds to the carrying amount. Any gain or loss is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(i) Impairment of assets

Goodwill and tangible assets that have an indefinite useful life are not subject to amortisation and are tested at least annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, and whenever events or changes in circumstances occur, GDI assesses whether there is any indication that any other asset may be impaired. Where an indicator of impairment exists, GDI makes a formal estimate and an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash generating units). Assets other than goodwill that suffer an impairment are viewed for possible reversal of the impairment at each reporting date.

(j) Investment properties

Investment properties is property which is held either to earn income or for capital appreciation or both. Investment properties also include properties that are under construction for future use as investment properties. Investment properties are measured at fair value, with acquisition and other related costs written off through the profit and loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties annually on a rotation basis or on a more regular basis if considered appropriate and as determined by management and the Board in accordance with the valuation policy of GDI.

These valuation processes are taken into consideration when determining the fair value of the investment properties. The fair value is based on market values, being the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuations are prepared by considering the capitalisation of net income and the discounting of future cash flows to their present value. These methods incorporate assumptions of future rental income and costs, appropriate capitalisation and discount rates and also consider market evidence of transaction prices of similar investment properties.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness;
- the allocation of maintenance and other operating cost responsibilities between lessor and lessee; and
- the remaining economic life of the property.

Further information on assumptions underlying the assessment of fair value is contained below at Note 1 (ab) Critical accounting estimates and assumptions and in Note 10, Investment properties.

Changes in fair values are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The gain or loss on disposal of an investment property is calculated as the difference between the carrying amount of the asset at the date of disposal and the net proceeds from disposal and is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the year of disposal.

Repairs and maintenance costs and minor renewals are charged as expenses when incurred.

Subsequent refurbishment costs (other than repairs and maintenance) are capitalised to the investment property where they result in an enhancement in the future economic benefits of the property.

(k) Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at bank.

(l) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of an asset remain with the lessee, but not the legal ownership, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the lease property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

Lessees may be offered incentives as an inducement to enter into non-cancellable leases. These incentives may take various forms including up-front cash payments, rent free periods, or a contribution to certain lessee costs such as fit out costs or relocation costs. They are recognised as an asset in the statement of financial position as a component of the carrying amount of investment property and amortised over the lease period as a reduction in rental income.

Initial direct leasing costs incurred in negotiating and arranging operating leases are recognised as an asset in the statement of financial position as a component of the carrying amount of investment property and are amortised as an expense on a straight line basis over the lease term.

(m) Fair value of assets and liabilities

GDI measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standards.

Fair value is the price GDI would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(n) Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at amortised cost using the effective interest method, fair value through profit or loss, or for financial assets, fair value through other comprehensive income.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

GDI does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(ii) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

(o) Derivative financial instruments

GDI enters into various derivative financial instruments (ie interest rate swaps) to manage its exposure to interest rate risks. Derivative financial instruments are initially and subsequently measured at fair value. All gains and losses subsequent to the initial recognition are recognised in profit or loss.

(p) Employee benefits**(i) Short-term employee benefits**

Provision is made for GDI's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

GDI's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. GDI's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

(ii) Long-term employee benefits

Provision is made for employees' long service leave and annual leave entitlements not expected to be settled wholly within 12 months after the end of the annual reporting period in which the employees render the related service. Other long-term employee benefits are measured at the present value of the expected future payments to be made to employees. Expected future payments incorporate anticipated future wage and salary levels, durations of service and employee departures and are discounted at rates determined by reference to market yields at the end of the reporting period on government bonds that have maturity dates that approximate the terms of the obligations. Any re-measurements for changes in assumptions of obligations for other long-term employee benefits are recognised in profit or loss in the periods in which the changes occur.

GDI's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where GDI does not have an unconditional right to defer settlement for at least 12 months after the end of the reporting period, in which case the obligations are presented as current provisions.

(iii) Performance rights plan

GDI has established a performance rights plan and has issued performance rights to employees. Under the performance rights plan, employees will be granted performance rights which will vest if vesting conditions are satisfied, into either GDI's securities at no cost, or an equivalent amount of cash, at the election of GDI.

The cost of the issues of performance rights are recognised as an employee benefit expense. The fair value of the performance rights is recognised in the security-based payments reserve in equity, or, if the performance rights are yet to be granted, accrued in the Consolidated Statement of Financial Position and reversed with a corresponding increase in the security-based payments reserve in equity once the performance rights are granted.

Fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the rights. For relative market performance based vesting conditions, fair value is determined using binomial option pricing to model the performance of GDI to the selected peer group taking into account individual volatilities and correlations.

For non-market based vesting conditions, the fair value is determined based on the likelihood of achieving the conditions having reference to budgets and management plans and is measured using a Black-Scholes option pricing model. For non-market based vesting conditions, at each reporting date GDI revises its estimate of the number of performance rights that are expected to be exercisable and the employee benefit expense recognised each reporting period takes into account the most recent estimate. The impact of any revision to original estimates is recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income with a corresponding adjustment to equity.

(q) Revenue and other income

GDI has applied AASB 15: Revenue from contracts with customers, which is based on the principle that revenue is recognised when control of a good or service transfers to a customer. AASB 15 applies to all contracts with customers except leases, financial instruments and insurance contracts so for GDI, principally its funds management revenue.

(i) Funds management revenue

GDI, through wholly owned subsidiaries, manages investment schemes which do not form part of the consolidated financial statements. GDI earns revenue in a number of ways such as:

- Due diligence and acquisition fees
- Asset management fees
- Performance fees
- Disposal fees

Revenue is recognised as the funds management services are provided and the transaction price is calculated in line with the fees schedule stated in the information memorandum.

(ii) Rental revenue

Rental revenue from investment property is recognised on a straight line basis over the lease term or until the first contingency (market or CPI review) occurs. Rental revenue not received at reporting date is reflected in the statement of financial position as a contract asset or if paid in advance, as a contract liability. Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI or market linked rental increases, are only recognised when contractually due.

(iii) Interest

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

Where an asset has been held for syndication with funding provided by GDI Property Trust by way of an at call loan, and the asset is subsequently syndicated, the interest income earned by GDI Property Trust whilst the asset is held for syndication is recognised in both the accounts of GDI Property Trust and GDI.

(iv) Prior corresponding period

In the prior corresponding period, Funds management revenue, acquisition and disposal and capital raising fee revenue was recognised at settlement of the relevant property acquisition/disposal or proportionately as the equity interests were issued/sold to external investors as appropriate. Management fee revenue was recognised on a proportional basis over this time as services were performed. There has been no change in how rental revenue or interest is recognised from the prior corresponding period.

(r) Property expenses

Property expenses and outgoings include rates, taxes and other property outgoings incurred in relation to investment properties where such expenses are the responsibility of GDI Property Trust, and are recognised on an accruals basis.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

(s) Borrowing and borrowing costs

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost using the effective interest rate method. Under this method fees, costs, discounts and premiums directly related to the financial liability are spread over its expected life. Borrowings are classified as current liabilities unless GDI has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in the period in which they are incurred.

(t) Provisions

Provisions are recognised when:

- GDI has a present legal or constructive obligation as a result of past events; and
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

Provisions are not recognised for future operating losses.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(v) Rounding of amounts

GDI has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded to the nearest \$1,000.

(w) Segment reporting

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other segments. Each segment is reviewed by the entity's chief operating decision maker (CODM) to make decisions about resources to be allocated to the segment and assess the performance and for which discrete financial information is available.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, investment properties and goodwill. Due to the small size of the GDI's team, corporate overhead expenses and property, plant and equipment are not allocated in reporting to the CODM and therefore for the purpose of segment reporting are unallocated.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

(x) Contributed equity

Ordinary shares and units are classified as equity and recognised at the fair value of the consideration received by GDI. Any transaction costs arising on the issue of ordinary stapled securities are recognised directly in equity as a reduction, net of tax, of the proceeds of the issue.

(y) Distributions and dividends

Distributions are paid to GDI stapled securityholders half yearly. A provision for distributions is made for the amount of any distribution declared on or before the end of the reporting period but not paid to securityholders at the reporting date.

(z) Earnings per stapled security

Basic earnings per stapled security is calculated as net profit attributable to ordinary securityholders of GDI divided by the weighted average number of ordinary securities outstanding during the financial year. Diluted earnings per stapled security is calculated as net profit attributable to ordinary securityholders of GDI divided by the weighted average number of ordinary stapled securities and dilutive potential ordinary securities. Where there is no difference between basic and diluted earnings per stapled security, the term basic and diluted earnings per stapled security is used.

(ab) Critical accounting estimates and assumptions

The preparation of the financial reports requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial reports. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, but which are inherently uncertain and unpredictable, the results of which form the basis of the carrying values of assets and liabilities. The resulting accounting estimates may differ from the actual results under difference assumptions and conditions.

The key estimates and assumptions that have a risk of causing adjustment in the next financial year to the carrying amounts of asset and liabilities recognised in these financial reports are:

(i) Valuation of investment properties

Critical judgements are made by GDI in respect of the fair value of investment properties. The fair value of these investments are reviewed regularly by management with reference to external independent property valuations, recent offers and market conditions existing at reporting date, using generally accepted market practices. The critical assumptions underlying management's estimates of fair value are those relating to the passing rent, market rent, occupancy, capitalisation rate, terminal yield and discount rate. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of the property investments may differ. Major assumptions used in valuation of the property investments are disclosed in Note 10.

(ii) Valuation of financial instruments

The fair value of derivative assets and liabilities are based on assumptions of future events and involve significant estimates. The basis of valuation for GDI's derivatives are set out in Note 1(n), however the fair values of derivatives reported at 30 June 2019 may differ if there is volatility in market rates in future periods. The valuation techniques are discussed in detail at Note 29 and have been developed in compliance with requirements of AASB 9 Financial Instruments: Recognition and Measurement.

(iii) Security-based payments

GDI measures the cost of performance rights allocated to employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of performance rights is determined using Black-Scholes option pricing model and Binomial option pricing model. The related assumptions are detailed in Note 30. The accounting estimates and the assumptions relating to performance rights will have no impact on the carrying amounts of assets and liabilities within the next reporting period, but may impact the security based payment expense and equity.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

(iv) Recoverability of deferred tax assets

Deferred tax assets are recognised for deductible temporary difference and unused tax losses as management considers that it is probable that future taxable profits will be available to utilise those temporary differences and unused tax losses. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits which may lead to impairment of the deferred tax asset.

(v) Consolidation of entities in which GDI holds less than 50%

Management consider that GDI has de facto control of GDI No. 42 Office Trust even though it has less than 50% of the units on issue. GDI is the majority unitholder of GDI No. 42 Office Trust with 43.68% interest, while all other unitholders indirectly hold less than 10% of the units on issue. There is no history of other unitholders forming a group to exercise their votes collectively. Entities controlled by GDI also act as Trustee and Investment Manager.

(ac) New accounting standards for application in future periods

AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019)

AASB16 requires recognition of a right-of-use asset along with the associated lease liability where the entity is a lessee. An interest expense will be recognised in the profit or loss using the effective interest rate method, and the right-of use asset will be depreciated. Lessor accounting will largely remain unchanged.

AASB16 is not expected to have an impact on GDI as the only leases GDI has entered in to as a lessee are for its Head Office premises and a photocopier. Based on the adoption of AASB16 is it estimated that had this standard applied at balance date the right to use asset would have amounted to \$274,000.

NOTE 2 – REVENUE

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
a) Revenue				
Rent and recoverable outgoings	79,527	75,573	79,576	75,573
Lease costs and incentive amortisation	(4,980)	(4,698)	(4,980)	(4,698)
Funds management revenue	2,129	4,710	-	-
Interest and other income	1,131	436	1,121	402
Total revenue from ordinary activities	77,807	76,021	75,718	71,277

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Revenue from contracts with customers	2,129	-	-	-
Revenue based on AASB 118	-	4,710	-	-
Revenue based on AASB 117	74,547	70,875	74,596	70,875
Other sources of revenue	1,131	436	1,121	402
Total revenue from ordinary activities	77,807	76,021	75,718	71,277

GDI PROPERTY GROUP
NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

b) Disaggregated revenue

	Funds management		Lease income		Total	
GDI	2019	2018	2019	2018	2019	2018
Geographical markets	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
NSW	2,129	4,710	-	6,319	2,129	11,029
WA	-	-	58,247	49,814	58,247	49,814
QLD	-	-	16,300	14,742	16,300	14,742
Total	2,129	4,710	74,547	70,875	76,675	75,585
Timing and recognition	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Services transferred to customers:						
At a point in time	-	-	-	-	-	-
Over time	2,129	4,710	74,547	70,875	76,675	75,585
Total	2,129	4,710	74,547	70,875	76,675	75,585

	Lease income		Total	
Trust	2019	2018	2019	2018
Geographical markets	\$'000	\$'000	\$'000	\$'000
NSW	-	6,319	-	6,319
WA	58,297	49,814	58,297	49,814
QLD	16,300	14,742	16,300	14,742
Total	74,596	70,875	74,596	70,875
Timing and recognition	\$'000	\$'000	\$'000	\$'000
Services transferred to customers:				
At a point in time	-	-	-	-
Over time	74,596	70,875	75,718	70,875
Total	74,596	70,875	75,718	70,875

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
c) Other sources of revenue				
Interest received				
- unrelated parties	204	436	194	402
- related parties	-	-	-	-
Total interest received	204	436	194	402
Other	928	-	928	-
Total other sources of revenue	1,131	436	1,121	402

NOTE 3 – FINANCE COSTS

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Finance costs				
Interest paid / payable	3,579	4,827	3,579	4,827
Total finance costs	3,579	4,827	3,579	4,827

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 4 – CORPORATE AND ADMINISTRATION EXPENSES

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Corporate and administration expenses				
Audit and taxation fees	227	236	56	51
Custodian fees	80	64	80	64
Occupancy expenses	339	283	-	-
Employee benefits expense	6,680	6,529	1,950	1,999
Others	786	784	4,269	1,513
Total corporate and administration expenses	8,111	7,896	6,355	3,627

NOTE 5 – INCOME TAX EXPENSE/BENEFIT

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Income tax benefit				
a) The components of tax expense/(benefit) comprise:				
Current tax	-	-	-	-
Deferred tax	8	101	-	-
Income tax expense/(benefit)	8	101	-	-
b) Reconciliation of income tax expense/(benefit) to prima facie tax payable:				
Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	(19)	78	-	-
Add tax effect of:				
Tax effect of reduction in tax rate	-	-	-	-
Other non-allowable items	3	2	-	-
Share option expensed	24	21	-	-
Less tax effect of:				
Share options paid	-	-	-	-
Non-taxable trust income	-	-	-	-
Income tax expense/(benefit) attributable to GDI/ Trust	8	101	-	-

NOTE 6 – CASH AND CASH EQUIVALENTS

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents				
Cash at bank	18,775	22,361	17,202	20,873
Total cash and cash equivalents	18,775	22,361	17,202	20,873

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 7 – TRADE AND OTHER RECEIVABLES

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade and other receivables				
Trade receivables	3,673	3,530	1,916	1,628
Others	50	17	40	8
Provision for expected credit losses	(904)	(655)	(48)	-
Total trade and other receivables	2,819	2,892	1,908	1,636

The movement in the provision for impairment of trade and other receivables is as follows:

	GDI	Trust
	\$'000	\$'000
Provision for expected credit losses		
Balance at beginning of year	655	-
Charge for the year	485	89
Amounts written off	(237)	(41)
Balance as at 30 June 2019	904	48

Trade receivables

Included in trade and other receivables of GDI is \$1,660,081 (2018: \$1,613,822) of fees charged to managed funds that remain unpaid. Of this, \$855,316 (2018: \$655,316) has been provisioned for expected credit losses. GDI also had \$1,117,059 (2018: \$1,145,772) of rent receivable which was past due but not impaired. Of this, \$48,188 (2018: \$0) has been provisioned for expected credit losses and the remainder relates to a number of tenants for whom there is no recent history of default and in most cases, security is held for greater than the amount outstanding, there has been no impairment of receivables.

GDI applies the simplified approach to providing for expected credit losses prescribed by AASB 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. The amounts written off or provision for expected credit losses charged for the year are all due to customers declaring bankruptcy, or term receivables that have now become irrecoverable. GDI expects to recover in full the outstanding balance of trade and other receivables. The loss allowance provision has been determined as provided below.

	Current	30 – 60 days past due	60 - 90 days past due	>90 days past due	Total
GDI					
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount	1,118	283	175	1,194	2,769
Loss allowing for provision	-	-	-	-	-
2018					
Expected loss rate	0%	0%	0%	0%	-
Gross carrying amount	1,352	192	69	1,261	2,875
Loss allowing for provision	-	-	-	-	-

	Current	30 – 60 days past due	60 - 90 days past due	>90 days past due	Total
Trust					
2019	\$'000	\$'000	\$'000	\$'000	\$'000
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount	1,118	283	175	292	1,868
Loss allowing for provision	-	-	-	-	-
2018					
Expected loss rate	0%	0%	0%	0%	
Gross carrying amount	1,352	192	69	14	1,628
Loss allowing for provision	-	-	-	-	-

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 8 – OTHER ASSETS

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Other assets				
Interest paid in advance	141	134	141	134
Prepayment	1,834	1,019	1,769	997
Others	599	496	1,314	1,352
Total other	2,574	1,649	3,224	2,483

NOTE 9 – NON-CURRENT ASSETS HELD FOR SALE

During FY18, GDI engaged the services of real estate agents to market for sale 223 – 237 Liverpool Road, Ashfield (GDI No. 42 Office Trust). Accordingly, the property was classified as a Non-current asset held for sale in the 30 June 2018 Consolidated Statement of Financial Position and was not independently revalued at 30 June 2019. GDI subsequently exchanged contracts to sell 223 – 237 Liverpool Road, Ashfield on 24 August 2018 with settlement of the sale occurring on 31 January 2019.

NOTE 10 – INVESTMENT PROPERTIES

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
a) Investment properties at fair value				
<i>Movement in investment properties</i>				
Balance at beginning of the year	722,042	499,628	722,042	499,628
Additions				
- Investment property	-	216,250	-	216,250
Assets transferred to non-current assets held for sale	-	(43,110)	-	(43,110)
Capital works				
- Property improvements	9,077	6,406	9,077	6,406
- Maintenance capital (GDI Property Trust)	3,882	3,065	3,882	3,065
- Maintenance capital (GDI No. 42 Office Trust)	791	1,529	791	1,529
Straight-lining of rental income	(330)	432	(330)	432
Lease costs	1,487	733	1,487	733
Amortisation of lease costs	(713)	(435)	(713)	(435)
Net gain/(loss) from fair value adjustments	36,011	37,195	36,011	37,195
Incentives paid (GDI Property Trust)	5,051	3,077	5,051	3,077
Incentives paid (GDI No. 42 Office Trust)	700	(8)	700	(8)
Non cash incentives paid	(474)	(316)	(474)	(316)
Amortisation of incentives (GDI Property Trust)	(4,070)	(2,396)	(4,070)	(2,396)
Amortisation of incentives (GDI No. 42 Office Trust)	(196)	(8)	(196)	(8)
Balance as at 30 June	773,259	722,042	773,259	722,042

b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. All properties, other than the strata unit at 38/46 Cavill Avenue, Surfers Paradise, have been independently valued in the last twelve months based on independent assessments by a member of the Australian Property Institute of Valuers.

The table below illustrates the key valuation assumptions used in the determination of the investment properties fair value.

Valuation basis	2019	2018
Weighted average capitalisation rate (%)	7.02%	7.20%
Weighted average lease expiry by area (years)	2.4 years	2.7 years
Occupancy	84.8%	83.8%

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

Ten year discounted cash flows and capitalisation valuation methods are used together with active market evidence. In addition to the key assumptions set out in the table above, assumed portfolio downtime ranges from six to 24 months and tenant retention ranges from 0% to 50%.

c) Assets pledged as security

Borrowings (refer Note 17) are secured by a General Security Agreement (fixed and floating charge) over each investment property plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

d) Leases as a lessor

GDI and the Trust lease out investment properties under operating leases. The future minimum lease payments receivable under non-cancellable leases are as follows:

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Lease receivable commitments				
Within one year	61,705	76,716	61,705	76,716
Later than one year but not later than five years	100,185	142,387	100,185	142,387
Later than five years	36,169	36,210	36,169	36,210
Total other	198,058	255,314	198,058	255,314

GDI PROPERTY GROUP**NOTES TO THE FINANCIAL STATEMENTS**

For the financial year ended 30 June 2019

e) Details of investment properties

The following table presents individual properties owned by GDI and the Trust:

	Title	Acquisition date	Acquisition price \$'000	Independent valuation date	Independent valuation \$'000	Carrying amount \$'000	Fair value adjustment \$'000
Investment properties							
Mill Green Complex, Perth	Freehold	16 December 2013	332,656	31 December 2018	330,000	332,567	6,104
50 Cavill Avenue, Surfers Paradise	Freehold	1 February 2016	46,139	31 December 2018	100,000	100,951	9,088
38 / 46 Cavill Avenue, Surfers Paradise	Strata	12 August 2016	1,240	-	-	1,240	-
235 Stanley Street, Townsville	Freehold	16 June 2016	53,500	30 June 2019	53,500	53,500	(1,325)
Westralia Square, Perth	Freehold	27 October 2017	216,250	30 June 2019	285,000	285,000	22,145
Investment properties			649,785		768,500	773,259	36,011

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 11 – PLANT AND EQUIPMENT

a)	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Plant and equipment				
Furniture and fittings at cost	102	100	-	-
Accumulated depreciation	(19)	(25)	-	-
Total other	83	75	-	-

Movement in plant and equipment

Reconciliations of the carrying amounts of each class of plant and equipment are set out below:

b)	Furniture and fittings \$'000	Total \$'000
Balance at beginning of year	100	100
Additions	-	-
Depreciation	(25)	(25)
Balance as at 30 June 2018	75	75
Balance at beginning of year	75	75
Additions	27	27
Depreciation	(19)	(19)
Balance as at 30 June 2019	83	83

NOTE 12 – DEFERRED TAX ASSETS

	Opening Balance	(Charged)/ Credited to Profit or Loss	(Charged)/ Credited Directly to Equity	Closing Balance
30 June 2019	\$'000	\$'000	\$'000	\$'000
Deferred tax asset on:				
Provisions	494	49	-	543
Transaction costs on equity issue	29	(29)	-	-
Tax losses carried forward	635	(29)	-	606
Net amount	1,158	(9)	-	1,149

	Opening Balance	(Charged)/ Credited to Profit or Loss	(Charged)/ Credited Directly to Equity	Closing Balance
30 June 2018	\$'000	\$'000	\$'000	\$'000
Deferred tax asset on:				
Provisions	245	249	-	494
Transaction costs on equity issue	151	(122)	-	29
Tax losses carried forward	862	(228)	-	634
Net amount	1,258	(101)	-	1,157

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 13 – INTANGIBLE ASSETS

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Intangible assets				
Goodwill - at cost and at net carrying amount	18,110	18,110	-	-
Total intangible assets	18,110	18,110	-	-

a) Impairment test for goodwill

GDI acquired from the privately owned GDI group of companies the rights, title and interest in the funds management business, and the shares of the operating companies, for total consideration of \$18.5 million. The value of the shares acquired was determined by the net asset value of the relevant company, with the balance (\$18.11 million) of the total consideration recognised as goodwill. The acquisition price was supported by an Independent Experts Report.

For subsequent measurement, goodwill is allocated to cash-generating units which are based on GDI's reporting segments. GDI has determined that the cash-generating unit is the funds management business and as per reporting to the Chief Operating Decision Maker (CODM), no fee has been assumed to be charged to the Trust by the funds management business. The recoverable amount of the cash generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of the forecast profit after tax from funds established since the acquisition of the funds management business and new funds to be established over a five year term, with a terminal value applied to the forecast fifth year profit after tax. The cash flows are discounted at a 17.5% discount rate.

Management has based the value-in-use calculations on the historical performance and future prospects of the Funds Management business as reported to the CODM, taking into consideration the historical rate at which funds are established.

As a result of the value-in-use calculation, no impairment of goodwill has been recorded in the Financial Statements.

b) Key assumptions used in valuation assumptions

The following key assumptions were used in the value-in-use calculations:

30 June 2019	New funds (p.a.)	Fee income	Terminal value growth rate	Discount rate
Funds management segment	\$12.59 million in FY20, then \$74.7 million each year thereafter	Management fee – 0.65% and 1.00% Acquisition fee – 2% Disposal fee – 2%	2.0%	17.5%
30 June 2018	New funds (p.a.)	Fee income	Terminal value growth rate	Discount rate
Funds management segment	\$74.7 million	Management fee – 0.65% and 1.00% Acquisition fee – 2% Disposal fee – 2%	2.0%	17.5%

The calculation of value-in-use is most sensitive to the following assumptions:

- the rate at which new funds are established and the size of these funds (property values);
- fee income;
- terminal growth rate; and
- discount rate.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

Rate at which new funds are established – based on management’s expectations on the pace and size of new fund establishments, having regard to GDI’s past performance and future prospects. GDI’s business plan includes launching new unlisted funds with total new AUM of \$100 million in each year. However, for the purpose of the value in use calculations, GDI has used the average amount of AUM raised since IPO, or in the case of FY20, the value of properties already identified for future funds.

Fee income – fee income is based on due diligence, management and disposal fees only, and does not include performance fees, debt arranging fees or any project management fees.

Terminal growth rate – terminal growth rate was determined based on management’s estimate of the long-term compound annual EBITDA growth rate, consistent with the assumption that a market participant would make.

Discount rate – discount rates reflect management’s estimate of the risks specific to each cash generating unit, in particular in relation to establishing new funds.

NOTE 14 – DERIVATIVE FINANCIAL INSTRUMENTS

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Current interest rate swaps	-	377	-	377
Total derivative financial instruments	-	377	-	377

NOTE 15 – TRADE AND OTHER PAYABLES

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Trade and other payables				
Trade payables and accruals	4,910	7,307	3,769	6,023
Lease incentive payable	124	598	124	598
Distribution payable	20,909	20,796	20,909	20,796
Other payables	360	261	202	98
Total trade and other payables	26,303	28,962	25,005	27,516

Trade and other payables are generally unsecured, non-interest bearing and settled within 30-60 days terms. Lease incentives payable are generally unsecured, non-interest bearing and are normally settled in cash. Distribution payable relates to the distribution for the period from 1 January 2019 to 30 June 2019, declared in June and payable in August 2019.

NOTE 16 – PROVISIONS

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Provisions				
Current				
Employee benefits	289	223	-	-
Non-current				
Employee benefits	163	167	-	-
Total provisions	451	390	-	-

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

Provision for employee benefits

Provision for employee benefits represents amounts accrued for annual leave and long service leave.

The current portion for this provision includes the total amount accrued for annual leave entitlements and the amounts accrued for long service leave entitlements that have vested due to employees having completed the required period of service. Based on past experience, GDI does not expect the full amount of annual leave or long service leave balances classified as current liabilities to be settled within the next 12 months. However, these amounts must be classified as current liabilities since GDI does not have an unconditional right to defer the settlement of these amounts in the event employees wish to use their leave entitlement.

The non-current portion for this provision includes amounts accrued for long service leave entitlements that have not yet vested in relation to those employees who have not yet completed the required period of service.

In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been discussed in Note 1(p).

NOTE 17 – BORROWINGS

Borrowings shown below are net of transaction costs which are amortised over the term of the loan.

a) Interest bearing liabilities – current

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Borrowings				
<i>Secured liabilities:</i>				
Loans - financial institutions	-	31,975	-	31,975
Transaction costs	-	(51)	-	(193)
Total borrowings	-	31,924	-	31,782

All current borrowings were refinanced during the year and there are now no fixed repayments due within the next 12 months.

b) Interest bearing liabilities – non-current

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Borrowings				
<i>Secured liabilities:</i>				
Loans - financial institutions	69,379	59,379	69,379	59,379
Transaction costs	(251)	(221)	(392)	(221)
Total borrowings	69,128	59,158	68,986	59,158

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

c) Borrowing details

Borrowings of GDI and the Trust are the same and details at balance date are set out below:

Facility	Secured	Maturity date	Facility \$'000	Utilised \$'000	Unutilised \$'000
Facility Tranche B ¹	Yes	January 2021	60,000	20,879	39,121
Facility Tranche C ¹	Yes	January 2021	75,000	38,500	36,500
Bank Bill Business Loan ²	Yes	June 2022	11,500	10,000	1,500
			146,500	69,379	77,121
Facility Tranche D ³	Yes	January 2021	5,000	-	-
Total facility			151,500	69,379	77,121

1. Facility Tranche B, C and D are secured by first registered mortgage over the wholly owned investment properties held by GDI and a registered General Security Agreement over the assets of GDI. Interest is payable monthly in arrears at variable rates based on the 30 day BBSY. Line fees are payable quarterly in advance.
2. The Bank Bill Business Loan relates to GDI No. 42 Office Trust and is secured against the assets of that trust. Interest and line fees are payable quarterly in arrears at variable rates based on the 90 day BBSY.
3. GDI also has a \$5 million bank guarantee supporting the financial requirements of GDI Funds Management Limited's AFS Licence. This is undrawn and cannot be used for general working capital purposes.

d) Maturity profile

The maturity profile of the principal amounts of borrowings, together with estimated interest thereon, is provided in the table below:

Maturity profile	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due within one year	2,656	35,764	2,656	35,764
Due between one and five years	71,187	60,298	71,187	60,298
Due after five years	-	-	-	-
	73,842	96,062	73,842	96,062

NOTE 18 – CONTRIBUTED EQUITY

Contributed equity	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Contributed equity	524,564	522,549	502,262	500,335
Total contributed equity	524,564	522,549	502,262	500,335

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

a) Movements in ordinary securities/units

	GDI		Trust	
	No (000)	\$'000	No (000)	\$'000
Securities on issue at beginning of the year	537,746	523,712	537,746	501,448
Issue and formation costs	-	(1)	-	(1)
On-market buyback	(1,081)	(1,163)	(1,081)	(1,112)
Contributed equity attributable to shareholders/unitholders as at 30 June 2018	536,665	522,549	536,665	500,335
Securities on issue at beginning of the year	536,665	522,549	536,665	500,335
Securities issued in satisfaction of performance rights	2,947	2,056	2,947	1,966
On-market buyback	(33)	(41)	(33)	(39)
Contributed equity attributable to shareholders/unitholders as at 30 June 2019	539,580	524,564	539,580	502,262

b) Stapled securities

The ordinary shares on the Company are stapled to the units of the Trust. Each stapled security entitles the holder to participate in dividends and distributions as declared from time to time and the proceeds on winding up. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitution, Trust Deed and the Corporations Act 2001.

NOTE 19 – RESERVES AND RETAINED EARNINGS

a) Security-based payment reserve

	GDI \$'000	Trust \$'000
Balance at the beginning of the year	2,877	2,752
Security-based payments expense	2,004	1,917
Cash settlement transaction	(240)	(230)
Transfer from security based payment reserve	(167)	(160)
Balance as at 30 June 2018	4,473	4,279
Balance at the beginning of the year	4,473	4,279
Security-based payments expense	2,045	1,956
Equity issued	(2,056)	(1,966)
Balance as at 30 June 2019	4,462	4,269

The security-based payment reserve is used to recognise the fair value of performance rights issued under the performance rights plan. Refer to Note 30 for further details.

b) Retained earnings

	GDI \$'000	Trust \$'000
Balance at the beginning of the year	95,557	98,888
Net profit for the financial period	75,761	75,579
Transfer from treasury security reserve to equity	167	160
Less: Dividends/distributions paid/payable	(44,819)	(44,819)
Balance as at 30 June 2018	126,666	129,808
Balance at the beginning of the year	126,666	129,808
Net profit for the financial period	85,070	85,148
Less: Dividends/distributions paid/payable	(44,601)	(44,601)
Balance as at 30 June 2019	167,134	170,355

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

c) Treasury security reserve

	Note	GDI \$'000	Trust \$'000
Balance at the beginning of the year		-	-
On-market buyback		(1,163)	(1,112)
Cancellation of treasury securities	18a	1,163	1,112
Balance as at 30 June 2018		-	-
Balance at the beginning of the year		-	-
On-market buyback		(41)	(39)
Cancellation of treasury securities	18a	41	39
Balance as at 30 June 2019		-	-

The treasury securities reserve is used to recognise stapled securities that have been repurchased by GDI and not cancelled but held in treasury.

NOTE 20 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

a) Dividends paid/payable by the Company

There were no dividends paid or payable by GDI in respect of the 2019 and 2018 financial year/period.

b) Distributions paid/payable by GDI /Trust

	GDI		Trust	
	2019 cents/ security	2018 cents/ security	2019 cents/ unit	2018 cents/ unit
Distributions paid / payable by GDI / Trust				
28 February 2018	-	3.875	-	3.875
31 August 2018	-	3.875	-	3.875
28 February 2019	3.875	-	3.875	-
30 August 2019	3.875	-	3.875	-
Total distributions paid / payable by GDI / Trust	7.750	7.750	7.750	7.750

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

NOTE 21 – EARNINGS PER SECURITY/UNIT

	GDI		Trust	
	2019	2018	2019	2018
	cents	cents	cents	cents
Basic earnings per security/unit	15.14	13.88	15.15	13.85
Diluted earnings per security/unit	15.01	13.76	15.03	13.73
	\$'000	\$'000	\$'000	\$'000
Earnings used to calculate basic and diluted earnings per security/unit:				
Profit for the period	81,614	74,529	81,692	74,348
Profit attributable to ordinary securityholders/equityholders of the Group/Trust used in calculating basic and diluted earnings per security/unit	81,614	74,529	81,692	74,348
	No.(000)	No.(000)	No.(000)	No.(000)
Weighted average number of ordinary securities/units used in calculating basic earnings per security/unit	539,173	536,830	539,173	536,830
Weighted average number of ordinary securities/units used in calculating diluted earnings per security/unit	543,601	541,530	543,601	541,530

NOTE 22 – PARENT ENTITY DISCLOSURES

GDI Property Group Limited

a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	Company	
	2019	2018
	\$'000	\$'000
Results		
Loss for the period	(87)	(84)
Total comprehensive loss for the period	(87)	(84)
Financial position		
Current assets	23	15
Total assets	21,876	21,832
Current liabilities	152	107
Total liabilities	1,477	1,433
Net assets	20,399	20,399
Contributed equity	22,301	22,214
Reserves	193	194
Accumulated losses	(2,096)	(2,008)
Total equity	20,399	20,399

b) Guarantees entered in to by the parent entity

During the years ended 30 June 2019 and 30 June 2018 the parent entity did not enter any guarantee to entities it controlled.

c) Contingent liabilities

The parent entity had no contingent liabilities at year end.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

d) Contractual commitments

As at 30 June 2019 and as at 30 June 2018, the Company had no commitments in relation to capital expenditure contracted for but not provided as liabilities.

NOTE 23 – SEGMENT REPORTING

a) Identification of reportable segments

GDI

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as it is responsible for the strategic decision making within GDI. The following summary describes the operations in each of GDI's operating segments:

Operating segments	Products/Services
Property investment	Investment and management of income producing properties
Funds management	Establishment and management of property investment vehicles

The Board assesses the performance of each operating sector based on FFO and AFFO. FFO is a global financial measure of the real estate operating performance after finance costs and taxes, adjusted for certain non-cash items. AFFO adjusts FFO for incentives paid during the year and maintenance capital expenditure. The Directors consider FFO to be a measure that reflects the underlying performance of GDI. GDI's FFO comprises net profit/loss after tax calculated in accordance with the Australian Accounting Standards and adjusts for property revaluations, impairments, derivative mark to market impacts, amortisation of tenant incentives, straight line rent adjustments, gain/loss on sale of assets, rental guarantees and performance fees charged that remain unpaid.

Trust

The Trust operates in predominately one operating segment being property investment.

b) Basis of accounting for purposes of reporting by operating segments

(i) Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of GDI.

(ii) Intersegment transactions

- Corporate and administration costs other than direct expenses are not allocated to divisions for segment reporting purposes; and
- There is no revenue recorded by the funds management business from managing the Trust for segment reporting purposes.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

c) Segment information

	Property \$'000	Funds management \$'000	Reviewed but unallocated \$'000	Total \$'000
30 June 2019				
Operating earnings				
Net property income	55,488	-	-	55,488
Funds Management income	-	2,129	-	2,129
Other income	926	-	2	928
Total operating earnings	56,414	2,129	2	58,545
FFO adjustments				
Straight-lining rental income	330	-	-	330
Amortisation and depreciation	4,980	-	19	4,999
Adjustment for GDI No. 42 Office Trust	(7,417)	2,719	9	(4,689)
FFO pre corporate, administration and interest expenses / income	54,306	4,848	30	59,184
+/- corporate, administration and interest expense / income				
Interest paid	(2,470)	-	-	(2,470)
Interest income	174	10	-	184
Corporate and administration expenses	(2,750)	-	(5,361)	(8,111)
Provision for impairment of debts	(89)	(396)	-	(485)
Income tax (expense)/benefit	-	(8)	-	(8)
Total FFO	49,170	4,454	(5,330)	48,294
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain on interest rate swaps	377	-	-	377
Net fair value gain of investment properties	36,011	-	-	36,011
Straight-lining rental income	(330)	-	-	(330)
Amortisation of leasing fees and incentives	(4,980)	-	-	(4,980)
Amortisation of loan establishment costs	(275)	-	-	(275)
Depreciation	-	-	(19)	(19)
Profit on sale of non-current asset	2,124	-	-	2,124
Adjustment for GDI No. 42 Office Trust	6,594	(2,719)	-	3,875
Acquisition costs and discontinued acquisitions	(7)	-	-	(7)
Profit after tax from ordinary activities	88,685	1,735	(5,350)	85,070
Segment assets and liabilities				
Total assets	772,225	44,545	-	816,769
Total liabilities	(89,576)	(6,317)	-	(95,893)
Net assets	682,648	38,228	-	720,876

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

	Property \$'000	Funds management \$'000	Reviewed but unallocated \$'000	Total \$'000
30 June 2018				
Operating earnings				
Net property income	52,430	-	-	52,430
Funds Management income	-	4,710	-	4,710
Other income	-	-	-	-
Total operating earnings	52,430	4,710	-	57,141
FFO adjustments				
Straight-lining rental income	(550)	-	(11)	(560)
Amortisation and depreciation	4,698	-	25	4,723
Adjustment for GDI No. 42 Office Trust	(8,073)	2,932	10	(5,132)
FFO pre corporate, administration and interest expenses / income	48,506	7,642	24	56,172
+/- corporate, administration and interest expense / income				
Interest paid	(3,306)	-	-	(3,306)
Interest income	399	34	-	433
Corporate and administration expenses	(2,857)	-	(5,039)	(7,896)
Provision for impairment of debts	(56)	(175)	-	(231)
Income tax (expense)/benefit	-	(101)	-	(101)
Total FFO	42,686	7,400	(5,015)	45,071
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain on interest rate swaps	818	-	-	818
Net fair value gain of investment properties	37,195	-	-	37,195
Straight-lining rental income	550	-	11	560
Amortisation of leasing fees and incentives	(4,698)	-	-	(4,698)
Amortisation of loan establishment costs	(426)	-	-	(426)
Depreciation	-	-	(25)	(25)
Profit on sale of non-current asset	5,029	-	-	5,029
Adjustment for GDI No. 42 Office Trust	6,972	(2,932)	-	4,040
Acquisition costs and discontinued acquisitions	(11,802)	-	-	(11,802)
Profit after tax from ordinary activities	76,322	4,468	(5,029)	75,761
Segment assets and liabilities				
Total assets	747,945	63,453	-	811,398
Total liabilities	(104,846)	(15,975)	-	(120,821)
Net assets	643,100	47,478	-	690,578

NOTE 24 – COMMITMENTS

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Commitments				
Capital commitments				
Capital expenditure	1,230	9,128	1,230	9,128
Total capital commitments	1,230	9,128	1,230	9,128
Lease payable commitments				
Within one year	319	307	-	-
Later than one year but not later than five years	9	321	-	-
Later than five years	-	-	-	-
Total lease payable commitments	328	628	-	-

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NOTE 25 – RECONCILIATION OF NET PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

a) Reconciliation of cash from operations with profit after tax

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Net profit	85,070	75,761	85,148	75,579
Non cash and other movements				
Amortisation of loan establishment costs and depreciation	295	451	275	426
Amortisation of lease incentives and lease costs	4,980	4,698	4,980	4,698
Straight-lining rental income	330	(432)	330	(432)
Fair value adjustments to :				
- Investment properties	(36,011)	(37,195)	(36,011)	(37,197)
- Interest rate swaps	(377)	(818)	(377)	(818)
(Profit) on sale of non-current asset	(2,124)	(5,029)	(2,124)	(5,029)
Acquisition expenses	-	11,784	-	11,784
Net movement in provision for bad debts	(249)	15	48	190
Movement in employee incentive scheme reserve	2,044	2,004	1,956	1,917
Settlement of performance rights	-	(240)	-	(231)
(Increase)/decrease in				
Trade and other receivables	315	215	(320)	107
Other assets	(815)	(536)	(779)	(550)
Trade and other payables	(2,290)	769	(2,143)	447
Provisions	61	88	-	-
Other liabilities	-	11	-	-
Deferred tax	8	101	-	-
Net cash provided by operating activities	51,236	51,646	50,982	50,893

b) Credit standby facilities with bank

Refer to Note 17 for details of unutilised finance facilities.

NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of GDI's key management personnel (KMP) for the year ended 30 June 2019 and 30 June 2018.

The totals of remuneration paid to KMP of the company and GDI and Trust during the period are as follows.

a) Key management personnel compensation

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
KMP compensation				
Short term employee benefits	2,970	3,018	-	-
Post-employment benefits	172	181	-	-
Other long term benefits	46	41	-	-
Security-based payments	1,846	1,908	1,766	1,826
Total KMP compensation	5,034	5,149	1,766	1,826

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Short term employee benefits

These amounts include fees and benefits paid to the non-executive Chair and non-executive directors as well as all salary, paid leave benefits, fringe benefits and cash bonuses awarded to executive directors and other KMP.

Post-employment benefits

These amounts are the current year's cost of superannuation contributions made during the period.

Other long term benefits

These amounts represent long service leave benefits accrued during the period.

Security-based payments

These amounts represent the expense accrued for the participation of KMP in the performance rights plan as disclosed in Note 30 and the issue of performance rights for the year ended 30 June 2019 and 30 June 2018.

b) Equity instrument disclosure relating to key management personnel

	Securities held at 30 June 2017	Securities granted as part of a performance rights plan	Net securities acquired / (sold) during the year	Securities held at 30 June 2018	Securities granted as part of a performance rights plan	Net securities acquired / (sold) during the year	Securities held at 30 June 2019
Directors							
Graham Kelly ¹	250,000	-	-	250,000	-	-	-
Steve Gillard	30,300,000	143,437	(1,243,437)	29,200,000	1,304,143	(1,311,221)	29,192,922
Gina Anderson	70,000	-	-	70,000	-	-	70,000
John Tuxworth	55,200	-	85,100	140,300	-	-	140,300
Giles Woodgate ²	-	-	-	-	-	-	-
Stephen Burns ³	-	-	-	-	-	-	27,533
Other key management personnel							
David Williams	550,000	46,875	-	596,875	440,477	(37,352)	1,000,000
John Garland	287,500	43,750	(95,000)	236,250	392,064	(50,535)	577,779
Paul Malek	235,000	37,500	(90,000)	182,500	352,382	(10,000)	524,882
Greg Marr	105,326	-	(40,609)	64,717	283,810	-	348,527

1. Graham Kelly resigned as a Director on 15 November 2018 and held 250,000 securities at that time

2. Giles Woodgate was appointed as a Director on 16 November 2017

3. Stephen Burns was appointed as a Director on 15 November 2018

NOTE 27 – RELATED PARTY TRANSACTIONS

Related parties for GDI

a) Identification of related parties

(i) Key management personnel:

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel. For details of disclosures relating to key management personnel, refer to Note 26 and the Remuneration Report contained in the Directors' Report.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

(ii) Entities exercising control over GDI:

The ultimate parent entity that exercises control over GDI is GDI Property Group Limited, which is incorporated in Australia.

b) Transactions with related parties

Transactions with related parties in the year ended 30 June 2019

There are no transactions with KMP in the year ended 30 June 2019.

Transactions with related parties in the year ended 30 June 2018

There are no transactions with KMP in the year ended 30 June 2018.

Related parties for GDI Property Trust

a) Identification of related parties

(i) Responsible Entity, Investment Manager and Custodian

The Responsible Entity of GDI Property Trust is GDI Funds Management Limited (ACN 107 354 003), a wholly owned subsidiary of GDI Property Group Limited. GDI Funds Management Limited has appointed The Trust Company (Australia) Limited as Custodian for all the assets of the Trust.

(ii) Key management personnel

The Trust does not employ personnel in its own right. However, it is required to have an incorporated Responsible Entity to manage the activities of the Trust and this is considered the KMP. The directors of the Responsible Entity are key management personnel of that entity, their names being:

- Graham Kelly (retired 15 November 2018)
- Gina Anderson
- John Tuxworth
- Giles Woodgate
- Stephen Burns (appointed 15 November 2018)
- Steve Gillard

b) Transactions with related parties

The Responsible Entity is entitled to a fee calculated on a cost recovery basis only. During the year ended 30 June 2019 the Responsible Entity charged \$215,000 (2018: \$110,000), with no balance owing as at 30 June 2019.

Pursuant to an Investment Management Agreement dated 15 November 2013, GDI Investment Management Pty Limited is entitled to fees for acting as the Investment Manager of GDI Property Trust. During the year ended 30 June 2019, GDI Investment Management Pty Limited charged \$3,047,500 (2018: \$652,500), with no balance owing as at 30 June 2019.

No compensation is paid to the key management personnel of the Responsible Entity directly by the Trust.

All transactions with related parties are conducted on normal commercial terms and conditions. From time to time the key management personnel of the Responsible Entity, or their related entities, may invest in or sell units (stapled securities) of the Trust on the same terms and conditions as those of other Trust investors and are trivial and domestic in nature.

GDI PROPERTY GROUP

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For the financial year ended 30 June 2019

NOTE 28 – CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

GDI's capital management strategy is to maximise securityholders returns through active capital management whilst mitigating the inherent risks associated with both debt and equity.

In determining the appropriate mix of debt and equity, GDI reviews both commercial and regulatory considerations:

Commercial	Regulatory
<ul style="list-style-type: none"> The underlying real estate fundamentals The relative cost and availability of debt and equity Forecast cash flows and capital expenditure requirements Current and future debt covenants Financial risk management 	<ul style="list-style-type: none"> Need to comply with the capital and distribution requirements of GDI Property Trust's trust deed Need to comply with the capital requirements of relevant regulatory authorities and licences.

GDI's Gearing Policy is to target a Loan to Value ratio of less than 40%. GDI is able to manage its capital through a number of means, including but not limited to:

- asset recycling;
- new debt financing;
- issuing new stapled securities;
- adjusting the level of distributions paid to securityholders; and
- active management of interest rate exposures.

Capital and interest expense risk management is monitored in two main ways, having reference to the covenants on the Principal Facility:

	Board policy	2019	2018	Bank covenant	2019	2018
LVR ¹	< 40%	8%	9%	< 50%	8%	9%
ICR ²	> 2.5X	15.8X	12.4X	> 2X	15.8X	12.4X

- Bank covenant LVR is total debt on the Principal Facility (including net derivative exposures) divided by the value of the secured properties as determined by the last independent valuation.
- Bank covenant ICR is EBIT/Interest expense and for the year ended 30 June 2019, any acquisition expenses have been reversed from the EBIT calculation.

GDI also protects its equity in its assets by taking out insurance.

The gearing ratio as at 30 June 2019 of GDI and Trust was 6% (2018: 9%) and 7% (2018: 9%) respectively (as detailed below).

	Note	GDI		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Net debt and adjusted assets					
Total borrowings	17	69,128	91,081	68,986	90,940
Less: cash and cash equivalents	6	(18,775)	(22,361)	(17,202)	(20,873)
Net debt		50,353	68,720	51,784	70,067
Total assets		816,769	811,398	795,593	790,145
Less: intangible assets and deferred tax assets	13/12	(19,259)	(19,267)	-	-
Less: cash and cash equivalents	6	(18,775)	(22,361)	(17,202)	(20,873)
Adjusted assets		778,735	769,770	778,391	769,272
Gearing ratio		6%	9%	7%	9%

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Financial risk management

The financial risks that result from GDI's activities are credit risk, liquidity risk, refinancing risk and market risks (interest rates). GDI manages its exposure to these key financial risks in accordance with its risk management policy and focuses on mitigating the impact of volatility in financial markets.

GDI's financial instruments consist mainly of deposits with banks, accounts receivable and payable, borrowings and interest rate hedge derivatives. The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as described in a) Credit risk, b) Liquidity risk and c) Market risk below.

See Note 1(n) for how GDI classifies financial assets and liabilities.

a) Credit risk

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

Credit risk arises principally from GDI's and the Trust's receivables from customers and amounts due from the leasing of premises in accordance with lease agreements with property tenants. GDI and the Trust have a diverse range of customers and tenants and therefore there is no significant concentration of credit risk with any single counterparty or group of counterparties.

The Board has established a credit policy under which each new customer is analysed individually for creditworthiness before GDI does business with them. GDI and the Trust request security deposits or bank guarantees from new tenants in order to secure the premises and tenants are invoiced monthly in advance. Ongoing checks are performed by management to ensure settlement terms detailed in individual contracts are adhered to.

The maximum exposure to credit risk at the end of the reporting period is equivalent to the carrying amount of the financial assets (net of any provisions) as presented in the Consolidated Statement of Financial Position. GDI and the Trust typically hold bank guarantees or cash from tenants equivalent to six month rent as security. There are no significant financial assets that have had renegotiated terms that would otherwise have been overdue or impaired.

Risk is also minimised through investing surplus funds in Australian financial institutions. Interest rate derivative counterparties are also Australian financial institutions.

Trade and other receivables that are neither overdue nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 7.

The aging analysis of lease receivables overdue but not impaired is shown below:

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
One - three months	798	1,132	798	1,132
Three - six months	319	12	319	12
Over six months	-	166	-	2
Total	1,117	1,310	1,117	1,146

b) Liquidity risk

Liquidity risk arises from the possibility that GDI might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial instruments.

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For the financial year ended 30 June 2019

GDI believes that prudent risk management requires maintaining sufficient cash reserves and finance facilities to meet the ongoing operational requirements of the business. It is GDI's policy to maintain sufficient funds in cash and undrawn finance facilities to meet the expected near term operational requirements.

GDI also monitors the maturity profile of borrowings and puts in place strategies designed to ensure that all maturing borrowings are refinanced within required timeframes.

The weighted average debt maturity of GDI is 1.62 years (2018: 1.18 years).

Contractual maturity of financial liabilities (borrowings and payables) of GDI, including interest, is as follows:

	GDI		Trust	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Due within one year	28,959	64,726	27,660	63,280
Due between one and five years	71,187	60,298	71,187	60,298
Due after five years	-	-	-	-
Total	100,145	125,025	98,847	123,578

c) Market risk

i. Interest rate risk

GDI's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose GDI to interest rate risk. Borrowing issued at fixed rates expose GDI to fair value interest rate risk. At balance date, none (2018: 67%) of GDI's Principal Facility's borrowings were effectively hedged. None of the borrowings of GDI No. 42 Office Trust is hedged.

GDI may manage its cash flows interest rate risk by using interest rate derivatives. Such interest rate derivatives have the economic effect of converting borrowings from floating interest rates to fixed interest rates. Generally, GDI raises longer term borrowings at floating rates and may hedge a portion of the borrowings into fixed or capped rates. Under the interest rate derivatives, GDI agrees with other counter parties to exchange, at specified intervals the difference between contract rates and floating rates interest amounts calculated by reference to the agreed notional principal amounts. Because GDI's interest rate derivatives do not meet the accounting requirements to qualify for hedge accounting treatment, gains or losses arising from changes in fair value have been reflected in the profit or loss.

GDI's and the Trust's borrowings are the same.

At balance date, GDI had no interest rate derivatives (2018: \$40.0 million).

Information on borrowings and the maturity profile of borrowings (including interest) is provided in Note 17.

ii. Sensitivity

At balance date, if interest rates for all relevant time periods had changed by +/- 100 basis points (1%) for the year ended 30 June 2019 and 30 June 2018 with all other variables held constant, profit would have been higher/(lower) as shown below:

	+1%		-1%		+1%		-1%	
	GDI 2019 \$'000	Trust 2019 \$'000	GDI 2019 \$'000	Trust 2019 \$'000	GDI 2018 \$'000	Trust 2018 \$'000	GDI 2018 \$'000	Trust 2018 \$'000
Sensitivity to interest rates								
Impact on interest income	163	163	(163)	(163)	291	291	(291)	(291)
Impact on interest expense	(1,465)	(1,465)	1,465	1,465	(914)	(914)	914	914
Impact of valuation of interest rate derivatives	-	-	-	-	50	50	(51)	(51)
Total	(1,302)	(1,302)	1,302	1,302	(573)	(573)	572	572

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For the financial year ended 30 June 2019

NOTE 29 – FAIR VALUE MEASUREMENTS

a) Valuation techniques

GDI selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by GDI are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, GDI gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

b) Financial instruments

The following table represents a comparison between the carrying amounts and fair values of financial assets and liabilities:

	30 June 2019		30 June 2018	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial assets at amortised cost				
Cash and cash equivalents	18,775	18,775	22,361	22,361
Trade and other receivables	2,819	2,819	2,892	2,892
Total financial assets	21,594	21,594	25,253	25,253
Financial liabilities at amortised cost				
Trade and other payables	26,303	26,303	28,962	28,962
Provisions	451	451	390	390
Borrowings	69,128	69,128	91,081	91,081
Financial liabilities at fair value				
Derivative financial instruments	-	-	377	377
Total financial liabilities	95,883	95,883	120,810	120,810

c) Fair value hierarchy

GDI and Trust measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Derivative financial instruments; and
- Investment properties.

GDI and Trust do not subsequently measure any other liabilities (other than derivative financial instruments) at fair value on a non-recurring basis.

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

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For the financial year ended 30 June 2019

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

The following tables provide the fair values of GDI's and Trust's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	As at 30 June 2019			As at 30 June 2018		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements						
<i>Non-financial assets</i>						
- Investment properties	-	773,259	-	-	722,042	-
Total non-financial assets recognised at fair value on a recurring basis	-	773,259	-	-	722,042	-
<i>Financial liabilities</i>						
- Interest rate swaps	-	-	-	-	377	-
Total financial liabilities recognised at fair value on a recurring basis	-	-	-	-	377	-

d) Valuation techniques and inputs used to measure Level 2 Fair Values

	30 June 2019 \$'000	30 June 2018 \$'000	Valuation technique	Inputs Used
Financial assets/liabilities				
Interest rate swaps	-	(377)	Income approach using discounted cash flow methodology	BBSY swap rate
Non-financial assets				
Investment properties ¹	773,259	722,042	Market approach using discounted cash flow, rent capitalisation and recent observable market data methodologies	Comparable discount rates, capitalisation rates and price per square metres of NLA

1. The fair value of Investment properties is determined annually based on valuations by an independent valuer who has recognised and appropriate professional qualifications and recent experience in the location and category of investment property being valued.

e) Sensitivity information

Significant movement in any one of the inputs listed in the table above may result in a change in the fair value of GDI's investment properties as follows:

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

Inputs	Fair value measurement sensitivity to:	
	Significant increase in input	Significant decrease in input
Discount rate	Decrease	Increase
Capitalisation rate	Decrease	Increase
Assumed market rent per square metre of NLA	Increase	Decrease
Price per square metre of NLA	Increase	Decrease

NOTE 30 – SECURITY-BASED PAYMENTS

GDI has established a performance rights plan under which employees (including the Managing Director) of GDI may be offered performance rights representing an entitlement to acquire stapled securities, subject to meeting certain performance conditions as determined by the Board and, in the case of the Managing Director, subject to receipt of stapled securityholder approval. The performance rights and stapled securities allocated under the performance rights plan are intended to be allocated free of charge provided that the relevant performance conditions are met.

a) STI performance rights

For the year ended 30 June 2019, the Board determined that 50% of any STI granted to a KMP would be by way of performance rights where the sole performance condition is that the employee remains employed by a member of GDI for three years from the conclusion of the performance period (30 June 2022). As these performance rights had not been issued at 30 June 2019, GDI has recognised in the financial statements the fair value of the performance rights as an accrual with the cost expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The total number of STI performance rights to be issued for 30 June 2019 will be 434,318, with 196,773 granted to the Managing Director subject to securityholder approval.

b) LTI performance rights

For the year ended 30 June 2019, GDI intends to offer 1,476,772 performance rights to all staff, with 559,730 offered to the Managing Director subject to securityholder approval. As these performance rights had not been issued at 30 June 2019, GDI has recognised in the financial statements the fair value of the performance rights as an accrual with the cost expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The performance conditions that relate to the LTI performance rights for previous years (FY17, FY18) and the year ended 30 June 2019 are identical and are summarised below:

Number of LTI performance rights		Performance condition
Relating to previous years	Relating to FY19 year	
1,736,702	738,386	Relative performance (stapled security price movement + distributions) versus a peer group
1,736,702	738,386	Total return (NTA growth + distributions) vs internal benchmark

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

c) Valuation of performance rights

The assessed fair value of the intended issue of performance rights was determined using the Black-Scholes option pricing model and the Binomial option pricing model using the inputs as disclosed below:

	Relating to prior years			Relating to the year ended 30 June 2019		
	STI PR (Retention)	Relative return PR	Total return PR	STI PR (Retention)	Relative return PR	Total return PR
Issue size	1,102,847	1,736,702	1,736,702	434,318	738,386	738,386
Exercise price	\$nil	\$nil	\$nil	\$nil	\$nil	\$nil
Life	3 years	3 years	3 years	3 years	3 years	3 years
Initial valuation methodology	Black-Scholes	Binomial option	Black-Scholes	Black-Scholes	Binomial option	Black-Scholes
	option pricing	pricing	Option pricing	option pricing	pricing	Option pricing
	4 – Year to which	4 – Year to which	4 – Year to which	4 – Year to which	4 – Year to which	4 – Year to which
	the grant relates	the grant relates	the grant relates	the grant relates	the grant relates	the grant relates
Cost apportioned over (years)	+ vesting period	+ vesting period	+ vesting period	+ vesting period	+ vesting period	+ vesting period
Expected volatility	N/A	16% - 20%	N/A	N/A	21.1%	N/A
Risk-free interest rate	N/A	2% - 3%	N/A	N/A	1.5%	N/A
Valuation	\$1,261,250	\$895,207	\$1,962,311	\$601,531	\$491,101	\$1,022,665

The expected security price volatility is based on the historic volatility adjusted for any expected changes to future volatility due to publicly available information.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

d) Expense arising from issued and intended issue of performance rights

Total expense arising from the issued and intended issue of security based payments transactions recognised during the year/period are as follows:

Amount expended in year/period

	FY16 STI/LTI \$'000	FY17 STI/LTI \$'000	FY18 STI/LTI \$'000	FY19 STI \$'000	FY19 LTI \$'000	Total \$'000
30 June 2019						
GDI	469	506	535	150	378	2,038
Trust	448	484	512	144	362	1,950

	FY14 LTI \$'000	FY15 STI/LTI \$'000	FY16 STI/LTI \$'000	FY17 STI/LTI \$'000	FY18 STI/LTI \$'000	Total \$'000
30 June 2018						
GDI	45	514	469	527	535	2,090
Trust	43	492	448	504	512	1,999

The retention performance rights have been classified as an Initial public offer costs, with all other performance rights recognised as corporate and administration expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

NOTE 31 – CONTROLLED ENTITIES

The Company's investment in controlled entities is shown below:	Principal place of business	2019	2018
Entities controlled by the Company (Parent Entity)			
GDI Funds Management Limited	Sydney, Australia	100%	100%
GDI Investment Management Pty Limited	Sydney, Australia	100%	100%
GDI Investor Pty Limited	Sydney, Australia	100%	100%
GDI No. 27 Pty Limited	Sydney, Australia	100%	100%
GDI No. 29 Pty Limited	Sydney, Australia	100%	100%
GDI No. 35 Pty Limited	Sydney, Australia	100%	100%
GDI No. 37 Pty Limited ¹	Sydney, Australia	-	100%
GDI No. 38 Pty Limited	Sydney, Australia	100%	100%
GDI No. 38 Asset Pty Limited	Sydney, Australia	100%	100%
GDI No. 39 Pty Limited ¹	Sydney, Australia	-	100%
GDI No. 41 Pty Limited	Sydney, Australia	100%	100%
GDI No. 42 Pty Limited	Sydney, Australia	100%	100%
GDI No. 43 Pty Limited	Sydney, Australia	100%	100%
GDI No. 44 Pty Limited	Sydney, Australia	100%	100%
GDI No. 45 Pty Limited	Sydney, Australia	100%	-
GDI No. 45 Property Trust	Sydney, Australia	100%	-

¹ This company was deregistered during the year.

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For the financial year ended 30 June 2019

The Trust's investment in controlled entities is shown below:	Principal place of business	2019	2018
Entities controlled by GDI Property Trust (Head Entity with the Trust) ¹			
GDI No. 35 Perth Prime CBD Office Trust	Sydney, Australia	100%	100%
GDI No. 37 Trust ²	Sydney, Australia	-	100%
GDI No. 39 Trust ²	Sydney, Australia	-	100%
GDI No. 41 Trust	Sydney, Australia	100%	100%
GDI No. 42 Office Trust	Sydney, Australia	44%	44%
GDI No. 44 Trust	Sydney, Australia	100%	100%

1 Units in GDI Property Trust are stapled to the shares of the Parent Entity. The Trust and its controlled entities listed above are consolidated as part of GDI as required under accounting standards, refer to Note 1(b). Controlled entity financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as GDI's and the Trust's financial statements.

2 This Trust was terminated during the year.

NOTE 32 – AUDITORS' REMUNERATION

During the year/period the following fees were paid or payable for services provided by the auditor of GDI (Hall Chadwick) and its related entities.

	GDI		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Audit services				
Auditing or reviewing financial reports	142	138	52	47
Auditing of controlled entity's AFS Licence	4	4	4	4
Auditing of controlled entity's compliance plan	15	15	-	-
	161	156	56	51
Other services				
Provision of tax advice	66	80	-	-
Total	227	236	56	51

NOTE 33 – BUSINESS COMBINATIONS

30 June 2019

Neither GDI nor the Trust undertook any business combinations during the year ended 30 June 2019.

30 June 2018

Neither GDI nor the Trust undertook any business combinations during the year ended 30 June 2018.

NOTE 34 – NON-CONTROLLING INTERESTS

a) Non-controlling interest – Trust

To account for the stapling, Australian Accounting Standards require an acquirer (the Company) to be identified and an acquisition to be recognised. The net assets of the acquiree (the Trust) are recognised as non-controlling interests as they are not owned by the acquirer in the stapling arrangement.

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Movements in non-controlling interest

	GDI	
	2019	2018
	\$'000	\$'000
Opening balance	671,313	639,979
Profit for the period	85,148	75,579
Security-based payments expense	1,956	1,917
Cash settlement transaction	-	(230)
On-market securities buy-back	(39)	(1,112)
Issue and formation costs	-	(1)
Return of capital	(12,174)	-
Distributions paid/payable	(44,601)	(44,819)
Balance as at year end	701,602	671,313

GDI and the Trust has a \$5 million bank guarantee supporting the financial requirements of GDI Funds Management Limited's AFS Licence.

b) Non-controlling interest – GDI No. 42 Office Trust

On 17 December 2015, GDI No. 42 Office Trust had two \$1.00 units on issue, both owned by GDI Investor Pty Limited, a wholly owned subsidiary of GDI Investment Management Pty Limited. On 16 June 2016, GDI Funds Management Limited arranged an issue of 65.5 million units of GDI No. 42 Office Trust to fund the acquisition of 235 Stanley Street, Townsville and settle an inter-company loan with GDI Property Trust that was used to fund the acquisition of 223-237 Liverpool Road, Ashfield (which was subsequently sold on 31 January 2019). Following the arrangement, GDI Property Trust effectively holds 43.68% of units on issue in GDI No. 42 Office Trust, with the other 56.32% units on issue held by unrelated parties and shown separately in the financial statements as non-controlling interests – GDI No. 42 Office Trust.

	GDI No. 42 Office Trust	
	2019	2018
	\$'000	\$'000
Results		
Profit / (loss) for the period	6,136	2,187
Total comprehensive profit / (loss) for the period	6,136	2,187
Financial position		
Current assets	404	43,977
Total assets	53,904	97,477
Current liabilities	159	1,396
Total liabilities	10,124	33,275
Net assets	43,780	64,203
Contributed equity	43,885	65,500
Retained earnings	(105)	(1,297)
Total equity	43,780	64,203

NOTE 35 – CONTINGENT LIABILITIES

GDI and Trust had no contingent liabilities as at 30 June 2019 and as at 30 June 2018.

NOTE 36 – EVENTS AFTER THE REPORTING DATE

On 16 July 2019, GDI No. 45 Pty Limited atf GDI No. 45 Property Trust entered in to a conditional contract to acquire 180 Hay Street, Perth, for \$12.59 million. Settlement of 180 Hay Street, Perth is anticipated to occur on or around 30 June 2020.

On 31 July 2019, the Minister for Works signed two binding heads of agreement to occupy 14,522sqm of office accommodation at 141 St Georges Terrace, Perth (Westralia Square). The Western Australian Police Force (WAPOL) has agreed to lease 12,689sqm over levels 1-5, 8 and 9 for a period of five years¹ commencing 1 February 2021, and Births Deaths and Marriages (BDM) has agreed to a new six-year lease for 1,833sqm over level 10, also commencing on 1 February 2021. The existing leases over 25,664sqm with the Minister of Works will be varied, largely to facilitate WAPOL's relocation within Westralia Square from the upper levels to the lower levels, and the departure of the Department of Justice.

¹ WAPOL has certain 12-month lease extension and termination rights on the giving of at least 18 months-notice, and in the case of termination, compensation to GDI.

DIRECTORS' DECLARATION

**GDI Property Group Limited and
GDI Funds Management Limited as Responsible Entity for
GDI Property Trust**

Directors' Declaration

For the period ended 30 June 2019

The directors of GDI Property Group Limited and GDI Funds Management Limited as Responsible Entity for GDI Property Trust, declare that:

- (a) the financial statements and notes that are set out on pages 32 to 79 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards which, as stated in accounting policy Note 1 to the financial statements, constitutes compliance with International Financial Reporting Standards (IFRS); and
 - (ii) giving a true and fair view of the financial position as at 30 June 2019 and of the performance for the period ended on that date;
- (b) there are reasonable grounds to believe that GDI will be able to pay its debts as and when they become due and payable; and
- (c) The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Managing Director and Chief Financial Officer.

This declaration is made in accordance with a resolution of the directors of GDI Property Group Limited and GDI Funds Management Limited.



Gina Anderson
Chairman

Dated this 26th day of August 2019

INDEPENDENT AUDITOR'S REPORT
TO THE SECURITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

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Sydney NSW 2001

Ph: (612) 9263 2600
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Opinion

We have audited the accompanying consolidated financial report of GDI Property Trust and GDI Property Group Limited and their controlled entities (collectively "GDI Property Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion the accompanying financial report of GDI Property Group, is in accordance with the Corporations Act 2001, including:

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

Basis of Opinion

We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of GDI Property Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, has been given to the directors of GDI Property Group.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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INDEPENDENT AUDITOR'S REPORT
TO THE SECURITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

Carrying value of investment properties **Our procedures included,**
\$773.26 Million **amongst others:**

Refer to Note 10 Investment properties

Investment property is property which is held either to earn income or for capital appreciation or both. Investment property is measured at fair value, with acquisition and other related costs written off through the profit and loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties annually on a rotation basis or on a more regular basis if considered appropriate and as determined by management and the Board in accordance with the valuation policy of GDI Property Group.

Critical judgements are made by GDI Property Group in respect of the fair values of investment properties. The fair value of these investments are reviewed regularly by management with reference to external independent property valuations, recent offers and market conditions existing at reporting date, using generally accepted market practices. Critical assumptions underlying management's estimates of fair values are those relating to the passing rent, market rent, occupancy, capitalisation rate, terminal yield and discount rate. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of the property investments may differ.

Management has a policy of engaging independent property valuers to perform external valuations of the property portfolio annually on a rotation basis or more frequently if market conditions are volatile. Director's valuations are carried out on properties that are not independently valued due to the rotation timetable.

We have focussed on this area as a key audit matter due to amounts involved being material and the inherent subjectivity associated with critical judgements being made in relation to fair values of investment properties.

We have reviewed external independent valuation reports, assumptions and management's controls around external valuations. This included review of critical assumptions related to cash flow items such as income support, outgoings and incentives adopted in valuing the investment properties.

We have reviewed the internal valuation process including critical assumptions related to cash flow items such as income support, outgoings and incentives adopted in valuing the investment properties.

We performed procedures on the reconciliation between the opening balance and the closing fair value adopted and that the movements are recorded in the appropriate general ledger accounts.

We have discussed with management to confirm their views on assumptions adopted in the valuations. We assessed managements' assumptions by giving due consideration to industry issues and other external factors.

INDEPENDENT AUDITOR'S REPORT
TO THE SECURITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

Carrying value of Intangible Assets \$18.11 million **Our procedures included, amongst others:**

Refer to Note 13 Intangible Assets

GDI Property Group acquired from the privately owned GDI Group of companies the rights, title and interest in the funds management business, and the shares of the operating companies for a consideration of \$18.5 million. This gave rise to a goodwill value of \$18.11 million.

A value in use calculation was prepared based on present value of the forecast profit after tax from funds established since acquisition of the funds management business and new funds to be established over a five year term, with a terminal value applied in the sixth year profit after tax.

We have focussed on this area as a key audit matter due to amounts involved being material and the inherent subjectivity associated with critical judgements being made in relation to forecast future revenue and costs; discount rates; and terminal growth rates.

We evaluated management's goodwill impairment assessment and tested controls of the review of forecasts by management.

We obtained the value in use model and the agreed amounts to a combination of budgets and future plans.

Key inputs in the value in use model included forecast revenue, costs, discount rates and terminal growth rates. We corroborated some of those assumptions by comparing forecasts to historical fee income earned and costs incurred.

We involved our valuation specialists to recalculate management's discount rates based on external data where available. The valuation specialists were also involved in assessing the value in use model used for valuation methodology including the treatment of terminal value calculations and the net present value calculations.

We performed sensitivity analysis on the rate at which new funds are established and the size of these funds including fee income; terminal growth; and discount rate inputs.

We assessed GDI Property Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill.

INDEPENDENT AUDITOR'S REPORT
TO THE SECURITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

|
Carrying value of Borrowings \$69.13 million
Refer to Note 17 Borrowings

Our procedures included,
amongst others:

The purchase of buildings is typically funded through a combination of cash generated from capital raising and borrowings from financial institutions. At 30 June 2019, GDI Property Group had borrowings of \$89.128 million representing 72% of total liabilities. The borrowings terms and conditions are disclosed in note 17.

We obtained confirmation from the GDI Property Group's banks to confirm all borrowings, including amounts, tenure and conditions.

We have focussed on this area as a key audit matter due to the size of the borrowings balance.

We read the most up-to-date agreements between GDI Property Group and its financiers to understand the terms associated with the facilities and the amount of facility available for drawdown.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the information in GDI Property Group's annual report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of GDI Property Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australia Accounting Standards and the *Corporations Act 2001* and for such internal control as directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the GDI Property Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate GDI Property Group or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT
TO THE SECURITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

Auditor's Responsibility for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GDI Property Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on GDI Property Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause GDI Property Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within GDI Property Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of GDI Property Group audit. We remain solely responsible for our audit opinion.

HALL CHADWICK  (NSW)

INDEPENDENT AUDITOR'S REPORT
TO THE SECURITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

We communicate with the directors regarding, amongst other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

We have audited the remuneration report included in pages 14 to 29 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of GDI Property Group for the year ended 30 June 2019 complies with s 300A of the Corporations Act 2001.

Responsibilities

The directors of GDI Property Group are responsible for the preparation and presentation of the remuneration report in accordance with s 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR

Partner

Dated: 28 August 2019