

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 2023.

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 2023.

3. Highlights of the results

| | 2023 | 2022 | |
|--|-------------|-------------|--------|
| | \$m | \$m | Change |
| Revenue from ordinary activities | 63.0 | 44.3 | +42.1% |
| Comprehensive net profit attributable to securityholders after tax | 16.6 | 48.1 | -65.4% |
| Funds from operations (FFO ¹) | 28.1 | 28.5 | -1.2% |
| Distribution to security holders | (26.6) | (41.6) | -36.1% |
| | Cents | Cents | % |
| Funds from operations per security | 5.28 | 5.29 | -0.1% |
| Distributions per security | 5.00 | 7.75 | -35.5% |
| Payout ratio | | | |
| - Distributions as a % of FFO | 94.5% | 146.0% | |
| - Distributions as a % of AFFO ² | 283.7% | 211.9% | |
| Basic earnings per security ³ | 3.13 | 8.93 | -65.0% |
| Diluted earnings per security ³ | 3.11 | 8.86 | -64.9% |
| | \$m | \$m | % |
| Total assets | 1,129.0 | 1,059.4 | +6.6% |
| Total borrowings | 344.7 | 246.2 | +40.0% |
| Security holder’s equity | 685.1 | 697.3 | -1.7% |
| Market capitalisation | 342.9 | 486.7 | -29.6% |
| | \$ | \$ | % |
| Net tangible assets per security | 1.25 | 1.27 | -1.2% |
| Security price | 0.65 | 0.91 | -28.6% |
| Securities on issue | 531,592,363 | 534,884,465 | -0.6% |
| Weighted average securities on issue | 532,419,922 | 538,719,530 | -1.2% |

4. Commentary on the results

Refer to the Directors' Report of the 2023 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 |
| 2022 final – paid 31 August 2022 | 3.875 | 20,727 | - |
| 2023 interim – paid 28 February 2023 | 2.500 | 13,290 | - |
| 2023 final – declared 22 June 2023 | 2.500 | 13,290 | - |

On 22 June GDI announced the introduction of a dividend and distribution reinvestment plan (DRP), together with the announcement of its estimated distribution for the six-month period ended 30 June 2023. The DRP will first apply to the distribution for the six-month period ended 30 June 2023, payable on 31 August 2023.

6. Changes in control over group entities

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

7. Annual General Meeting and Director nominations

- Annual General Meeting of shareholders of GDI Property Group Limited and General Meeting of unitholders of GDI Property Trust - 9 November 2023
- Closing date for nomination as a Director of GDI Property Group Limited - Wednesday 6 September 2023.

8. 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 2023, which together with the auditor's 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 6, section 1.3 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 2023

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.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

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GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

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 2023. 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

GDI is an integrated, internally managed commercial property investor with capabilities in the identification and execution of acquisition opportunities, and then the ownership, management, development, refurbishment, leasing, and syndication of assets. GDI is structured as a stapled security to enable it to participate in both the ownership of properties either directly (wholly owned) or indirectly (asset partnerships or co-investment stakes) via the Trust, and to receive earnings from fund management fees, car park operations, the provision of co-living accommodation, and development, via the Company.

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

- maximising the income and capital potential in the existing portfolio of assets;
- acquiring well located properties at below replacement cost that offer an opportunity to create value through active asset management;
- optimising the returns for investors in the existing unlisted property funds and therefore potentially generating performance fees; and
- continuing to grow the active earnings by establishing new property funds, recycling capital from the Co-living Joint Venture, and investing in new opportunities.

We have a long track record of investing into assets to significantly improve their environmental footprint. This enhances the assets appeal to the occupier market and minimises tenant outgoings by reducing things like energy usage, meaning more net rent can be charged. Investing into existing assets also has the benefit of conserving the embodied carbon in that asset.

We are also leaders in developing light weight steel and timber buildings on existing structures. Such developments offer substantial environmental benefits when compared to a concrete building of similar scale. As an example, WS2, an approximately 9,500sqm new development constructed from a combination of steel and timber on an existing carpark, has driven an effective embodied carbon reduction of approximately 80% compared to the construction of an equivalent contemporary reinforced concrete building. We have opportunities to undertake similar developments on other assets in our existing portfolio and adaptive reuse is an important consideration when reviewing any new acquisitions.

We intend to always hold a portfolio of office properties in the Trust (Property Division). These office properties will typically have been purchased for below replacement cost and have additional upside potential through development, redevelopment, refurbishment and releasing. We seek to acquire these properties in markets where we believe there will be strong demand fundamentals and limited supply. Such properties are generally well located, core CBD properties with four sides of natural light and easily divisible floor plates. Actual or potential vacancy often provides an opportunity for repositioning and releasing to unlock additional value.

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For the financial year ended 30 June 2023

We also seek to continue to grow the earnings of the Company. Currently the Company operates a Funds Business, two Perth CBD carparks, and has a 50% interest in a joint venture in the co-living mining accommodation sector.

The Funds Business generates income by way of co-investment stakes held by the Trust, due diligence and acquisition fees, asset management fees, performance and disposal fees, and other fees including leasing, project management and financing. Asset(s) purchased in the Funds Business demonstrate similar characteristics to that of the Trust, namely being acquired for below management's view of replacement value, with the potential to add value through active asset management, in markets that we believe will outperform over the medium term. We intend to continue to grow our Funds Business but remain cautious and disciplined in the current uncertain economic environment.

We operate two Perth CBD carparks under a management contract with Wilson Parking. The carparks have a relatively high cash passing yield and low capital expenditure requirements. With limited new supply of carparking in the Perth CBD, we anticipate the carparks will perform well in the medium to long term. Both carparks also offer change of use potential, given a significant component of the acquisition price is land value. Currently the performance of the carparks is reported in the Property Division where the assets are held, even though the business of operating the carparks is owned by the Company.

During the year we invested in a co-living mining accommodation joint venture (Co-living JV). The Co-living JV intends to own, operate and syndicate mining accommodation. The Co-living JV currently owns and operates two assets, a 269 room village at Norseman, WA and the accompanying Lodge Motel and South Hedland Motel with 242 rooms, in South Hedland, WA. The performance of the Co-living JV is reported in the Property Division where the South Hedland assets are held, even though the business of operating the assets (and the Norseman Village) is owned by the Company.

Property Division

The Trust is internally managed and owns a portfolio of properties ("Portfolio"). As at 30 June 2023, the Portfolio comprised the following wholly owned properties with a combined independent value of \$857.5 million:

- Mill Green Complex, which comprises three Buildings: 197 St Georges Terrace, 5 Mill Street and 1 Mill Street, Perth;
- Westralia Square, 141 St Georges Terrace, Perth;
- WS2, 143 St Georges Terrace, Perth;
- 180 Hay Street, Perth;
- Murray Street carpark; and
- Wellington Street carpark.

The performance of the Co-living JV, owning and operating assets in Norseman and South Hedland, WA, is also reported in the Property Division.

Funds Business

The Company manages seven unlisted, unregistered managed investment schemes with total AUM of approximately \$555.0 million. The Funds Business has an investor base of approximately 1,500 high net worth investors, many of whom have a history of repeat investment. The Funds Business generates income by way of transactional, performance and management fees.

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 2023, GDI Property Trust owns 43.68% of GDI No. 42 Office Trust and 47.19% of GDI No. 46 Property Trust. GDI No. 42 Office Trust owns Stanley Place, 235 Stanley Street, Townsville and GDI No. 46 Property Trust owns a portfolio of 17 metropolitan Perth properties occupied by high profile car dealerships and service centres (Autoleague Portfolio).

1.2 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 evolving "Green Market" by implementing an energy performance

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programme designed to measure, assess and strategically improve the utility (energy & water) performance of all the properties under our management. This programme includes:

- Utility audits;
- NABERS (National Australian Built Environment Ratings System) ratings;
- Energy procurement improvements;
- Passively improving/upgrading building services and thermal performance of a building's fabric; 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 substantial refurbishment programme, it now has a 5 Star NABERS Energy Rating. This property was awarded the 2016 PCWA Commercial Property Award for Ecologically Sustainable Development (ESD) – Premium/A Grade Asset Category. All but one of our occupied properties currently has a 5 Star NABERS Energy Rating, with 5 Mill Street having a 4.5 Star Rating.

We achieve these successes by investing into the properties that we acquire, for instance energy ratings and overall efficiency gains are made by simple things like replacing all the lighting with LED lights, upgrading air-conditioning systems that reduce the environmental impact of refrigerants and upgrading lift systems such that they operate more efficiently. This makes both economic sense and reduces the environmental impact of the property.

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.

Most environmental standards used by the property sector measure the operational phase of a property's life. Existing properties have embodied carbon – the carbon created during their construction phase. This carbon can be up to 30% of a typical office property's carbon emissions over its lifecycle, and that does not include a demolition phase. By repurposing and repositioning existing buildings, we conserve the embodied carbon. As far as carbon conservation is concerned our historic asset strategy of continual improvement is demonstrably effective. During the year we completed construction of a new office building, WS2, in Perth. WS2 is an approximately 9,500sqm premium office building constructed from a combination of steel and timber situated on the existing carpark at Westralia Square, the first of its kind in the Perth CBD. This construction brings a step change approach to minimising embodied carbon across our portfolio, and importantly, in our built environment. The two primary areas of focus have been to firstly replace as much concrete as possible with cross laminated timber. Secondly, WS2 borrows structural support from an existing concrete carpark structure beneath it and spare thermal capacity from an adjoining office building (all owned and operated by GDI). These key factors, in combination, have driven an effective embodied carbon reduction of approximately 80% compared to the construction of an equivalent contemporary reinforced concrete building.

Once occupied, WS2 is expected to generate significantly less emissions than a standalone building due to its high-performance thermal enclosure and sharing some of the services with the adjoining Westralia Square. We intend to secure green energy for WS2's base build energy requirements to eliminate scope 2 emissions and are reviewing whether to buy offset credits for scope 1 and 3 emissions, potentially making the operational phase of WS2 carbon neutral.

We have received such positive feedback from the occupier market that we have leveraged our experience gained from WS2 and received a new DA for an approximately 35,000sqm steel and timber building at 1 Mill Street and lodged plans for a 28,000sqm steel and timber building on the Wellington Street carpark. Based on our real experiences from WS2 and our ongoing market assessment we believe that we are market leaders in the way we are viewing the opportunities for lightweight steel and timber construction and the consequential enormous reduction in embodied carbon. Such developments and reuse opportunities also allows us to curate and deliver unique and bespoke spaces that are attractive to tenants at a competitive price.

GDI's ESG risks and opportunities are managed by the executive team, overseen by the full Board. Our priority for GDI and its assets is to avoid and reduce the carbon footprint our assets and business activities generate. As discussed above, we believe that we have and are growing an excellent track record in doing this, either from the lower embodied carbon generated through the construction of the lightweight steel and timber property, or from investing into improving the environmental footprint of existing buildings. Once we have maximised an asset's potential, we will then work with our

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tenants to review things like green power and potentially, carbon credits. As our priority remains minimising the actual carbon footprint of our assets, we are reluctant to commit to timeframes around achieving net zero when some of this decision making is in collaboration with our tenants.

In 2020 we released our first ESG report using the reporting principles and disclosures set out in the Global Reporting Initiative (GRI) Standards. The GRI Standards have been issued by the Global Sustainability Standards Board to allow organisations to report on impacts related to environmental, social and governance matters. We are pleased that we will release our fourth ESG Report with our Annual report in approximately one month's time. The ESG Report should be read in conjunction with the separately issued Governance Statement, also to be released with the Annual Report. We will also release a voluntary Modern Slavery Statement.

1.3 Review of operations

Perth market

GDI's property portfolio is heavily weighted to Perth. The Perth office market has been one of the better performing office markets in terms of occupier demand for the last two years, albeit coming off a low base. Perth has experienced 7 consecutive quarters of positive absorption, and the vacancy rate is now at its lowest level since 2015. Perth's office market is benefiting from both strong demand fundamentals and limited supply. Whilst supply can be and is easily quantified, demand is harder to predict. However, there are many leading indicators that point to a continued increase in the level of demand for office space. Record levels of mining exploration that is yet to be matched by capital expenditure, over \$100.0 billion of potential projects in addition to the \$51.0 billion already under construction, the highest office attendance rate compared to pre-COVID levels of any Australian market, and high job vacancy rates are some of the many lead indicators that point to continued demand for office space.

Although Perth's vacancy rate remains one of the highest in the country, most of that vacancy resides in lower quality, poorer located B and C grade assets. Other than the vacancy created at QV1, 250 St Georges Terrace, when Chevron relocated to One The Esplanade, there is very little contiguous space available for lease in prime grade (Premium and A grade) assets in the Perth CBD. In addition to expansions or new entrants, many tenants have taken the opportunity to relocate to better quality (in terms of both grade and location) assets on what remain relatively low effective rents. This 'flight to quality' has led to the tightening in the prime grade market and we expect to now see effective rental increases as the availability of quality space reduces. With limited near and medium-term supply, our portfolio is well positioned to capture the rental growth the improving Perth market is forecast to deliver.

Interest rates

FY23 commenced with an RBA cash rate of 0.85%, having risen from 0.10% in April 2022. It is now 4.10% with many economists predicting further rate rises this calendar year. Although an RBA cash rate of 4.10% is not historically high, the increase in percentage terms from 0.10% as recently as April 2022 has had a dramatic effect on markets, particularly both the direct commercial property market and the indirect listed REIT markets.

As we have previously stated, we have been wary of the East Coast office markets, believing they were overvalued and would be repriced, not only because of higher rates but also because of a more difficult leasing market. We are now seeing this play out in the capital markets, where some assets have traded at over 20% discounts to their valuation highs. However, given our opinion of a weak outlook for demand for the East Coast office markets and more near-term supply, we believe there is still risks of further downward repricing of these assets.

Perth's office market didn't re-rate to anywhere near the same extent as the East Coast. Valuations are largely still well below replacement cost, and there has been transactional evidence of institutional grade assets to support valuation assumptions. Notwithstanding many research houses forecasting Perth to have the highest effective rental growth in the medium term, it currently has the highest average mid-point market capitalisation rate of all the Australian CBDs and the spread of those capitalisation rates to the East Coast markets remains historically high. For these reasons, we feel confident in the outlook for Perth from a capital markets perspective, notwithstanding the impact the rate rises have had on short term confidence.

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For the financial year ended 30 June 2023

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 | |
|---|----------------|----------------|
| | FY23 \$'000 | FY22 \$'000 |
| Total comprehensive income for the year | 20,228 | 68,301 |
| Acquisition expenses | 257 | 3,654 |
| Contribution resulting from consolidation of GDI No. 42 Office Trust | (2,040) | (2,187) |
| Distributions / funds management fees received from GDI No. 42 Office Trust | 761 | 761 |
| Contribution resulting from consolidation of GDI No. 46 Property Trust | (7,064) | (7,537) |
| Distributions / funds management fees received from GDI No. 46 Property Trust | 3,554 | 3,413 |
| Straight lining adjustments | 984 | 1,554 |
| Amortisation and depreciation | 9,497 | 22,193 |
| Net fair value (gain)/loss on investment property | 1,097 | (51,408) |
| Net fair value loss/(gain) on interest rate swaps | 725 | (2,473) |
| (Profit)/Loss on non-current asset held for sale | 122 | (7,800) |
| Funds From Operations | 28,121 | 28,471 |

Individual operating segment results are provided below:

| | FY23 | FY22 |
|---|---------------|---------------|
| | \$'000 | \$'000 |
| Property FFO ¹ | 38,273 | 33,880 |
| Funds Business FFO ¹ | 6,810 | 6,792 |
| Other | 98 | 38 |
| FFO pre corporate, administration and net interest | 45,180 | 40,710 |
| Less: | | |
| Net interest expense | (9,184) | (3,679) |
| Corporate and administration expenses | (7,618) | (8,678) |
| Other | (257) | 119 |
| Total FFO | 28,121 | 28,471 |

Property Division

WS2

WS2 is an approximately 9,500sqm office building constructed on top of the existing carpark at Westralia Square from a combination of steel and timber, making it one of the most environmentally efficient new buildings of its scale in Australia. Practical completion of WS2 was achieved in June 2023, and as at the date of this report seven of the 11 floors have been leased or are subject to a Heads of Agreement. WS2 was delivered only marginally above budget with total project costs, excluding interest and incentives, but including approximately \$10.0 million of precinct works, of approximately \$63.5 million, compared to the concept stage guidance of \$63.0 million. This cost discipline is within a backdrop of construction cost increases of up to 30.0%.

1. Property FFO and Funds Business FFO only refers to the revenue related items included / excluded from FFO. See Segment reporting, Note 24 of the Financial Report for a detailed breakdown of all items included in the Property and Funds Business segment results.

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WS2 was partly conceived to help fund the approximately \$10.0 million precinct works we envisaged for the Westralia Square complex at the time of its acquisition. WS2 was built where there had previously been a very dated double-heighted canopy. The completion of WS2 and the precinct works has transformed the Westralia Square complex, with it now presenting as premium grade as its location deserves.

Leasing

Perth began the financial year emerging from two years of closed borders followed by two months of its first COVID wave. Although business conditions appeared to be healthy, business leaders seemed reluctant to commit to new projects or contracts, including leases. At our portfolio, leasing enquiries were at levels we had not previously seen, necessitating the requirement to employ another asset and leasing manager. Notwithstanding the activity, it wasn't until the start of this calendar year that the levels of enquiry began translating to Heads and Agreement and executed leases. Since the start of the financial year we have now signed either new leases, lease renewals or Heads of Agreement for nearly 30,000sqm of office space in Perth, representing approximately 30% of our Perth office portfolio¹, with the majority of this occurring in the last eight months of the financial year. We still have a significant amount of space to lease, but most of our assets now have higher occupancy than they did at the start of the financial year.

At Westralia Square, we executed a lease to Capricorn Society Limited (Capricorn) for all of levels 18 and 19 (3,373sqm) for a period of eight years commencing 1 February 2024. This lease left only levels 16 (fitted out) and 17 vacant. We have subsequently signed a Heads of Agreement to lease approximately 1,000sqm on level 17, taking occupancy including this Heads of Agreement to 92%, up from 78% at the start of the financial year.

At WS2 we have now signed leases over four of the 11 floors and have Signed Heads of Agreements over another three floors. Tenants committing to WS2 include Arup, the environmental engineers who worked on the project and leading property advisor Savills (Aust) Pty Limited. We are pleased with the leasing momentum and look forward to welcoming these tenants once their fit-outs are complete.

The Mill Green complex comprises three assets, 197 St Georges Terrace, 5 Mill Street and 1 Mill Street. As disclosed previously, during FY23 we did not look for any long-term leasing of 1 Mill Street given both the time of the cycle and its redevelopment opportunities. At 5 Mill Street, including signed Heads of Agreement, occupancy has increased to 92%, up from 83% at the start of the financial year and significantly up from its low of 63% during Covid-19. With largely fitted out suites, 5 Mill Street is an attractive, well located and priced asset to the smaller occupier market.

We are now adopting a similar asset management strategy at 197 St Georges Terrace. During the year, AMEC vacated over 7,300sqm from levels 1 – 8 (excluding level 3) and we had another 11 full floors either vacant or with near term expiries. Although we have had great success in either renewing, relocating or releasing this space, there remains some way to go. Accordingly, we are adaptively reusing existing fit-outs and subdividing some of the floors, particularly the lower level ones, to attract smaller tenants to quality A-grade office accommodation in a prime location. This strategy has significantly broadened our target occupier market, and we have high levels of enquiry and are beginning to convert these to signed Heads of Agreement and leases. Occupancy, including Heads of Agreement, is now 71%, up from 61% at the start of last year.

Finally in Perth, although we've had numerous whole of building and multiple floor inspections at 180 Hay Street, we are yet to progress to a leasing outcome. As the building presents as new, but at a much lower cost than a new building, we can be competitive on rents and as the Perth market continues to tighten, we expect the interest in 180 Hay Street to increase.

Development

As previously disclosed, we received a development approval for an approximately 47,000sqm office building at 1 Mill Street in 2021, which would have required the demolition of the existing building. We formed the opinion that rising construction costs and the potential for higher capitalisation rates meant that the net rent required to support the commencement of the development was unlikely to be achieved. The significant interest from the occupier market in the embodied carbon savings

1. Includes 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Office Trust).

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in WS2, together with the comparatively lower costs of construction of a steel and timber building versus a concrete equivalent, and its quicker construction time, meant that we reconsidered the development plans for 1 Mill Street.

In January 2023 we received a new development approval for an approximately 35,000sqm building, incorporating the existing 6,000sqm building and adding a further approximately 29,000sqm constructed from steel and timber. We are discussing various accommodation options with a number of potential occupiers, including creating two smaller buildings on top of the existing 1 Mill Street rather than the one larger building, and are hopeful of progressing the 1 Mill Street development opportunity in FY24.

At our Wellington Street carpark, we have taken a similar approach to WS2 and lodged a development application for an approximately 28,000sqm office tower constructed from steel and timber that sits on top of the existing carpark. Under the scheme, we have an ability to convert most of the existing car bays to residential accommodation. This proposed development will not only conserve the existing concrete structure but also minimise the use of concrete in the new office component, and it is expected to achieve an even larger benefit in terms of embodied carbon than WS2. A development application has been lodged and we anticipate development approval this year.

Carparks

We purchased the two Perth CBD carparks in December 2021 for \$68.5 million on a passing net yield of approximately 5%, or \$3.4 million p.a., well below their four-year average of closer to \$4.0 million. When Perth opened its borders in March 2022 and subsequently experienced its first major wave of COVID-19, the performance of the two carparks was well below budget, with FFO of \$1.3 million for the first six-month period of ownership. As Perth's office attendance rates when compared to pre Covid-19 levels are the highest in the country, and the WA economy one of the strongest, the performance of the carparks steadily improved over FY23. If current performance trends continue the carparks should deliver even stronger operating results in FY24 than FY23.

Co-living Joint Venture

In March and April 2023 GDI signed transaction documents to enter a Joint Venture to own, operate and syndicate co-living mining accommodation (Co-living JV). Our Joint Venture partner, Tulla Group, is the private investment vehicle of the Maloney family, who built The MAC Services Group, a pre-eminent mining accommodation company that was listed on the ASX in April 2007 and sold to Oil States International in December 2010.

The mining accommodation sector is a fragmented industry, with the larger miners often owning mine-site camps operated by a facilities manager, and small 'Mum and Dad' owner operators offering overflow or alternative accommodation. With record levels of mining exploration, and few vertically integrated institutional owner operators, we see significant opportunities for both consolidation and greenfield developments.

The Co-living JV currently owns and operates two assets, a 269 room village at Norseman, WA and the accompanying Lodge Motel and South Hedland Motel with 242 rooms, in South Hedland, WA. Our interest in Norseman was acquired on 31 March 2023 and the South Hedland properties on 19 April 2023. The Norseman village has the benefit of a contract with Pantoro Limited, the owner of the nearby Norseman goldmine, which essentially underwrites approximately 80% occupancy for over five years. At the time of acquisition the South Hedland assets were operated like a more traditional motel, however under the Joint Venture's ownership the food offering has been improved, rooms are being upgraded and some longer term tenure has been achieved for some of the rooms.

GDI made a \$33.0 million investment into the Co-living JV. It is intended that once the Co-living JV has sufficient scale and diversity, the assets will be syndicated, and the initial capital recycled.

Property Division FFO

Property FFO for the year ended 30 June 2023 was \$38.3 million (FY22 \$33.9 million). Increases at Westralia Square (FY23 FFO of \$18.1 million vs FY22 FFO of \$12.7 million), the full year contribution from the two carparks (FY23 FFO of \$4.2 million vs FY22 FFO of \$1.3 million) and the part year contribution from the Co-living JV (FFO of \$1.1 million) were partly offset by a significant decrease from Mill Green (FY23 FFO of \$15.4 million vs FY22 FFO of \$19.0 million). GDI has significant scope to

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continue to grow the Property division FFO through re-leasing, particularly at 197 St Georges Terrace, Westralia Square, and WS2 once tenants begin occupying the property.

Valuations

Each of the wholly owned properties was independently valued during the year. Having achieved practical completion immediately prior to 30 June 2023, WS2 was valued as an investment property for the first time, with its \$90.0 million valuation on a 6.5% capitalisation rate, resulting in an approximately \$26.5 million gain on costs before interest. As a prior Westralia Square valuation included some value for costs incurred on WS2 at the date of that valuation, the gain in the accounts shown in Note 10(e) is less than the \$26.5 million gain on costs before interest.

Westralia Square was valued twice during the financial year. At 31 December 2022, Westralia Square was revalued to \$382.0 million, up from a 12-month prior valuation of \$372.5 million. Notwithstanding the increased occupancy, an increase in the market capitalisation rate from 6.0% to 6.25% resulted in a valuation at 30 June 2023 of \$371.0 million.

At 31 December 2022, Mill Green was revalued to \$301.5 million (from \$312.0 million at 30 June 2022). The devaluation was entirely attributed to 197 St Georges Terrace, with it valued at \$207.5 million, down from a 30 June 2022 valuation of \$218.0 million and a previous December 2021 valuation of \$230.0 million. Both 1 Mill Street (\$36.0 million) and 5 Mill Street (\$58.0 million) retained their value from 30 June 2022. The devaluation of 197 St Georges Terrace was a result of tenant departures and short-term expiries, and a 0.25% increase in the capitalisation rate from 6.75% to 7.0% on the back of two institutional grade transactions with similar attributes to 197 St Georges Terrace in late 2022, early 2023, resetting capitalisation rates.

180 Hay Street, Perth was also revalued at 31 December 2022, resulting in an increase from its previous valuation to \$20.5 million, up from \$18.4 million when last valued in 31 December 2021. The increase in the valuation is largely explained by a reduction in the forecast capital expenditure budget, with the capital expenditure programme now largely complete.

Both Perth CBD carparks were also independently valued at 31 December 2022, with both increasing in valuation notwithstanding a 25 basis point increase in the capitalisation rates to 5.25%. The valuation of 301-311 Wellington Street increased to \$32.0 million (from \$30.25 million) and 419-431 Murray Street increase to \$42.5 million (from \$38.5 million).

GDI's wholly owned portfolio is now independently valued at \$857.5 million.

As GDI also owns 43.68% of the units on issue of GDI No. 42 Office Trust and 47.19% of the units on issue of GDI No. 46 Property Trust, for statutory accounting purposes we consolidate both trusts, but for FFO purposes we recognise in the Funds Business (see below) the funds management fees generated on the units we don't own and the quarterly distributions on the units we do. GDI No. 42 Office Trust owns 235 Stanley Street, Townsville (Stanley Place), and GDI No. 46 Property Trust owns the Autoleague Portfolio. Stanley Place was revalued at 31 December 2022, resulting in a small decrease in the valuation to \$51.0 million, from a previous \$51.5 million.

Detailed in the table below are the comparison occupancy, weighted average lease expiry and weighted average capitalisation rates between 30 June 2023 and 30 June 2022:

| | GDI | |
|---|--------------------|--------------------|
| | As at 30 June 2023 | As at 30 June 2022 |
| Occupancy ¹ | 82.5% | 72.5% |
| Weighted average lease expiry by occupied area ¹ (years) | 5.2 years | 3.1 years |
| Weighted average capitalisation rate | 6.6% | 6.5% |

1. Excludes 1 Mill Street, but includes the small commercial tenancies at the Perth CBD carparks and the showrooms in the Autoleague portfolio. The 30 June 2022 comparisons did not include the Autoleague portfolio.

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For the financial year ended 30 June 2023

Funds Business

GDI's funds management business has a 30-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 we will continue to review opportunities cautiously.

Overview of Funds

We currently manage seven unlisted, unregistered managed investment schemes and have made significant progress in each of them. GDI No. 29 GDI Office Fund was originally a two-asset fund established in 2008, with one of the assets being sold for a small profit in 2010. The remaining asset, 251 Adelaide Terrace, Perth has been sold through a strata sell down strategy, with investors having received \$1.30 per unit of capital returned. Unfortunately, with all but 13 lots to sell in 2013 the market for strata in Perth stalled, and it hasn't been until this year that liquidity has returned and there are now only three suits left to sell. Although it is unlikely that investors will receive any further returns, they have received an internal rate of return of 18.35% on their investment.

GDI No. 33 Brisbane Office Trust owns 10 Market Street, Brisbane, a 15-level office building commanding a corner position within Brisbane's 'golden triangle'. The building was strata titled in 2012 and approximately 61% by lettable area of the building has been sold. Since the building was strata titled, sales have been consistent, albeit slower than forecast. Pleasingly, the pace and rate of sales have accelerated dramatically over the last six months and the Trust is now debt free with approximately 20% of the lettable area under contract at 30 June 2023.

GDI No. 36 Perth CBD Office Trust owns the iconic 1 Adelaide Terrace, Perth. With levels 6 and 7 vacant this Trust has been unable to make distributions and reletting this space is a priority.

GDI No. 38 Diversified Property Trust acquired a portfolio of six industrial and one office property from UGL on a sale and leaseback basis, with five of the seven properties now sold. Investors have received \$0.63 per unit of capital returned, with the remaining \$0.37 per unit yielding over 15%p.a. and last valued at \$0.765 per unit. The two assets that remain are an industrial site in Bassendean, Perth, and the 16-hectare industrial site at Broadmeadow, Newcastle. The Broadmeadow site is strategically located in Broadmeadow, one of seven council areas the former NSW government identified to unlock 70,000 new dwelling approvals through fast-tracked planning processes. Plans have been drawn up to redevelop the site into mixed use residential and commercial, in conjunction with a wider NSW government and Newcastle council Broadmeadow strategy. During the financial year UGL exercised the first of its two five-year options at Broadmeadow, with UGL having a right of occupation through to May 2034 should it exercise its second option.

GDI No. 42 Office Trust was originally a two-asset trust comprising an asset in Ashfield (sold in 2019) and 235 Stanley Street, Townsville (Stanley Place). We had great leasing success at Stanley Place, with the Commonwealth Government (Great Barrier Reef Marine Park Authority) leasing 3,021sqm over levels 11,12 and 13 with an August 2023 commencement date. That leasing success has taken occupancy in Stanley Place to 89%, up from 59% in June 2022.

GDI No. 43 Property Trust owns 6 Sunray Drive, Innaloo, home to Perth's only IKEA store. During the year IKEA exercised the first of its three 5-year options, taking its occupation through to February 2028. We also successfully leased the only remaining vacancy at one of the four peripheral units, taking occupation across the property to 100%.

GDI No. 46 Property Trust owns a portfolio of 17 Perth metropolitan car dealerships and service centres occupied by Autoleague, a high-profile car dealership business selling popular makes like Toyota, Hyundai, Mitsubishi and Kia. Rent is reviewed annually in December to CPI +1%¹, with the December 2022 review resulting in a 7% rental increase.

Funds Business FFO

The Funds Business delivered FFO of \$6.8 million (FY22: \$6.8 million). A large contributor to this is the distributions received from the consolidated funds, GDI No. 42 Office Trust (\$0.5 million) and GDI No. 46 Property Trust (\$3.1 million). There were no material transaction fees generated in the Funds Business in FY23.

1. CPI is Perth Capital City CPI and in December 2023, the review is subject to market with a 10% cap and a 5% collar.

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For the financial year ended 30 June 2023

Capital management

GDI's balance sheet is in a strong position with an LVR on the Principal Facility of 35.4%, below the Board's maximum LVR of 40% and the bank's covenant of 50%. Our strong financial position enabled us to extend the facility in April by \$33.0 million to finance our investment in the Co-living JV. Drawn debt on the Principal Facility at 30 June 2023 was \$305.1 (FY22: \$206.8), with undrawn debt of \$40.8 million. GDI No 42 Office Trust has drawn debt of \$10.0, and LVR of 19.6%, and GDI No. 46 Property Trust has drawn debt of \$30.0 million, an LVR of 22.0%.

Notwithstanding the conservative balance sheet, in FY23 we reset our distribution to 5.0 cents per security, reflecting the challenging interest rate environment whilst our portfolio is in a lease-up stage. For the distribution for the six-month period ended 30 June 2023 we also introduced a distribution re-investment plan (DRP). The DRP has been introduced to provide our securityholders with a cost-efficient method of increasing their holdings in GDI.

In March 2023 we also extended the on-market buyback for an additional 12-months to acquire up to 5% of the securities on issue and take advantage of the volatility in GDI's security price. During FY23 we bought back and cancelled 3,292,102 securities, taking the total securities bought back and cancelled since announcing the buyback in late March 2020 to 13,179,719 securities. Securities on issue on 30 June 2023 totalled 531,592,363.

We are always looking at asset recycling opportunities to manage capital and optimise returns.

Hedging

In July 2022, two in the money swaps were terminated, with the value created on termination used to acquire interest rate protection on \$100.0 million of debt at BBSY of no greater than 3.0% until 31 December 2023, and a further \$50.0 million of debt at BBSY of no greater than 3.0% until 31 December 2024.

Post balance date we acquired additional interest rate protection on another \$150.0 million of debt at BBSY of no greater than 4.25% until 31 December 2023, a further \$200.0 million of debt at BBSY of no greater than 4.25% until 31 December 2024 and \$100.0 million of debt at BBSY of no greater than 4.25% until 30 June 2025.

As at 30 June 2023, neither GDI No. 42 Office Trust nor GDI No. 46 Property Trust had any interest rate hedges or fixed rate borrowings.

Interest expense

Including the interest expense of the consolidated trusts, the interest expense for the year totalled \$12.0 million (FY22: \$5.3 million). Although the interest expense of the consolidated trusts is included in the statutory accounts, it is not included in GDI's FFO. The interest expense relating to the construction of WS2 is capitalised for accounting purposes until it is considered available for rent.

Corporate and administration expenses

GDI's operating expenses decreased slightly year on year to \$7.6 million (FY22: \$8.6 million). The largest component of corporate and administration expenses is employee benefits, including \$0.9 million expensed or accrued for the issue of performance rights in FY20, FY21, FY22 and this financial year.

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 |
| 2022 final – paid 31 August 2022 | 3.875 | 20,727 | - |
| 2023 interim – paid 28 February 2023 | 2.500 | 13,290 | - |
| 2023 final – declared 22 June 2023 | 2.500 | 13,290 | - |

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DIRECTORS' REPORT

For the financial year ended 30 June 2023

Significant changes in GDI Property Group's state of affairs

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

1.4 Future prospects

Our properties in both the Property Division and Funds Business have a significant amount of leasing potential. Our priority and focus for FY24 is to successfully lease the majority of the current vacancy.

We also intend to continue to explore opportunities to add value to the portfolio by developing lightweight steel and timber buildings on existing structures.

Property Division – existing

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

We also intend to continue to own, operate and potentially syndicate co-living mining accommodation in accordance with the terms and intent of the Co-living JV.

Funds management

GDI intends to continue to manage the seven unlisted, unregistered managed investment schemes in accordance with the strategies articulated in each schemes Information Memorandum and subsequent investment updates. Although we also have ambitions to establish at least one new unlisted, unregistered managed investment scheme in FY24 in addition to the Co-living JV, we remain cautious on the East Coast asset pricing and are aware of our current weighting to Perth.

Distribution guidance

GDI's business plan is to deliver a consistent total return relative to CPI, measured on a three-year rolling basis. Total return is measured as NTA growth per security plus distributions per security. This total return could be skewed to distributions per security, or in the alternative, NTA growth per security. However, we do consider that distributions are an important part of an investor's return, particularly from an AREIT, and we have paid a distribution regardless of our level of earnings, FFO or AFFO. An AREIT that buys assets with leasing risk is never going to have consistent earnings, FFO or AFFO, and we have supported the distribution from the proceeds of asset sales or by utilising our conservative balance sheet.

Our objective is to pay a cash distribution at levels similar to FY23, being 5.0 cents per security, regardless of our level of FFO, subject to no material change in circumstances or unforeseen events. We would expect that a proportion of any cash distribution for FY24 will be paid out of capital.

1.5 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. |

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DIRECTORS' REPORT

For the financial year ended 30 June 2023

| | | |
|----------------------------------|--|---|
| 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, excluding the assets held in the Autoleague portfolio, has a weighted average lease expiry profile of 5.2 years and is leased to a diverse range of tenants. • GDI has a conservative balance sheet with access to \$42.3 million of undrawn debt facilities. |
| 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"> • GDI has deliberately weighted its portfolio to Perth, a market with limited new supply and solid prospects for increasing demand. • 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"> • As at 30 June 2023, GDI has gearing of only 31%. • 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. • 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 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 1,500 high net worth investors who have historically had a high level of repeat investment. • 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. • Key management personnel performance and succession is regularly reviewed by the Board. |
| 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). | <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. • GDI also has certain derivative financial instruments that offer protection to rising |

GDI PROPERTY GROUP DIRECTORS' REPORT

For the financial year ended 30 June 2023

| | | |
|--|--|--|
| | <ul style="list-style-type: none">• 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. | interest rates on a substantial portion of GDI's drawn debt. |
| 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 into 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

Post balance sheet we acquired additional interest rate protection on another \$150.0 million of debt at BBSY of no greater than 4.25% until 31 December 2023, a further \$200.0 million of debt at BBSY of no greater than 4.25% until 31 December 2024 and \$100.0 million of debt at BBSY of no greater than 4.25% until 30 June 2025.

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 and Chief Executive Officer
Mr Stephen Burns (appointed on 14 June 2023, having been appointed as Acting Managing Director on 16 March 2023 and previously acting as an Independent Non-executive Director since November 2018).

Independent Non-executive Directors

Mr John Tuxworth
Mr Giles Woodgate

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.

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Mr Stephen Burns

Managing Director & Chief Executive Officer

Mr Burns was appointed Managing Director on 14 June 2023, having previously been appointed as Acting Managing Director on 16 March 2023 and having served as an Independent Non-Executive Director since November 2018. Prior to his appointment as Acting Managing Director, Mr Burns was 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.

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.

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 Crowe 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.

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 | 15 | 15 | 6 | 6 | 4 | 4 |
| John Tuxworth | 15 | 15 | - | - | 4 | 4 |
| Giles Woodgate | 15 | 15 | 6 | 6 | - | - |
| Stephen Burns | 15 | 15 | 6 | 6 | 4 | 4 |
| Steven Gillard ¹ | 9 | 9 | - | - | - | - |

1. Steve Gillard resigned with immediate effect as Managing Director on 15 March 2023.

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DIRECTORS' REPORT

For the financial year ended 30 June 2023

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 | - |
| Stephen Burns | - |
| John Tuxworth | - |
| Giles Woodgate | - |

Company secretary

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

Mr David Williams
Chief Financial Officer and Joint Company Secretary

Mr Williams has 30 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.

Mr John Garland
Head of Property and Joint Company Secretary

Mr Garland has over 30 years' experience in the property industry including almost 15 years with GDI. Prior to this, Mr Garland was the general manager of a private property investment company focusing on value added style commercial and industrial property investments.

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 and CEO ("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

| Non-Executive Directors | | Appointed | Term as a KMP for year |
|----------------------------|----------------------|------------------|------------------------|
| Gina Anderson | 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 ¹ | Independent Director | 15 November 2018 | 8.5 months |

1. Stephen Burns was appointed Acting Managing Director on 16 March 2023 and Managing Director and CEO (MD) on 14 June 2023.

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DIRECTORS' REPORT

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Managing Director

| | | |
|----------------------------|-----------------|------------|
| Stephen Burns ¹ | 14 June 2023 | 0.5 months |
| Steve Gillard ² | 5 November 2013 | 8.5 months |

Disclosed Executives

| | | |
|-------------------------|--|-----------|
| David Williams | Chief Financial Officer, Joint Company Secretary | Full year |
| David Ockenden | Head of Development | Full year |
| John Garland | Head of Property | Full year |
| Paul Malek ³ | Asset Management | Full year |

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;
- 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 MD and Disclosed Executives.

5.4 Remuneration objectives

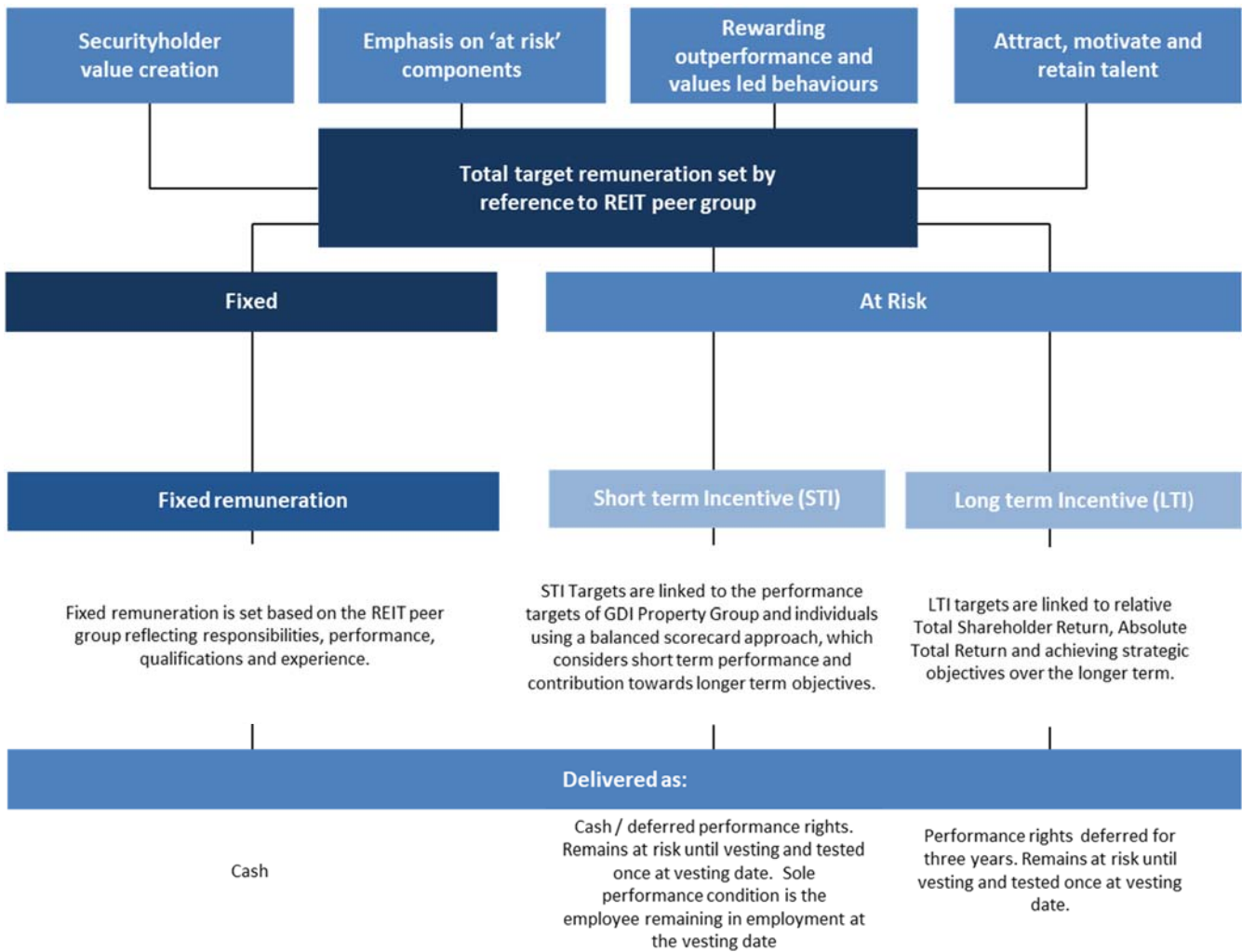
The following principles shape GDI's remuneration approach:

- 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;
- incentivises and aligns rewards with goals and objectives;
- encourages effective senior management teamwork to deliver on strategy; and
- providing a competitive remuneration proposition to attract, motivate and retain the highest quality individuals within a framework of ethical standards of behaviour.

1. Stephen Burns was appointed Acting Managing Director on 16 March 2023 and Managing Director and CEO (MD) on 14 June 2023.
2. Steve Gillard resigned with immediate effect as Managing Director on 15 March 2023.
3. Paul Malek's position of Asset Manager was made redundant on 11 August 2023.

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DIRECTORS' REPORT

For the financial year ended 30 June 2023



5.5 The composition of remuneration at GDI

The Board aims to find a balance between:

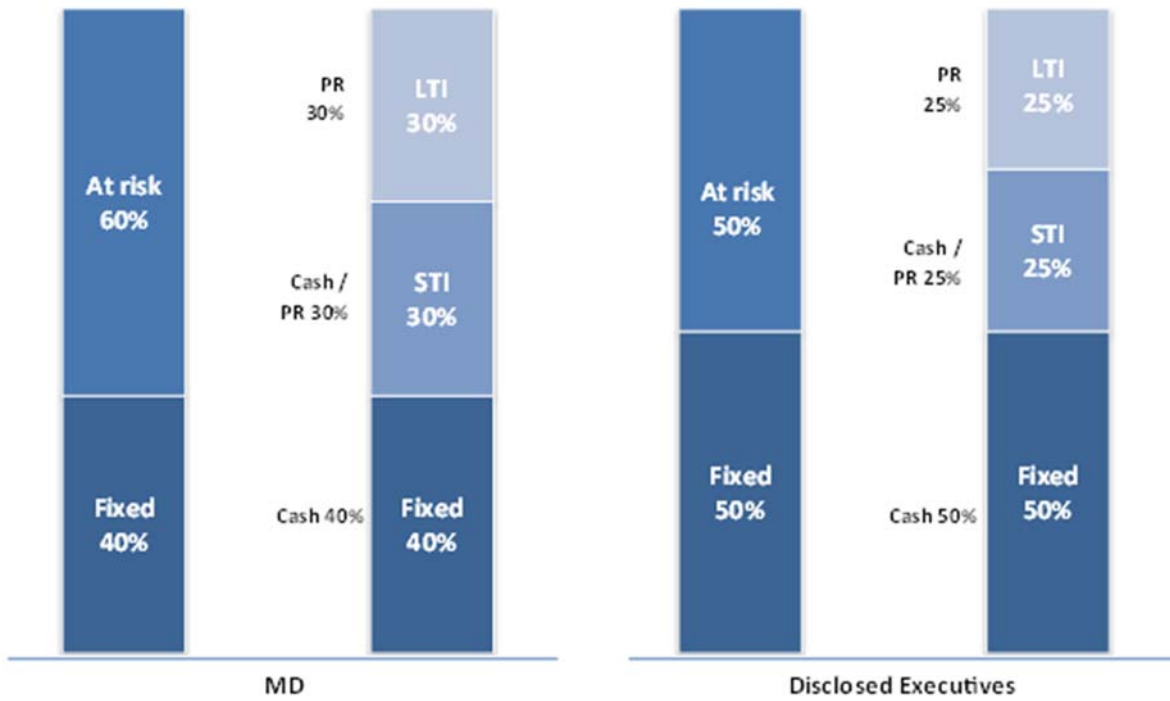
- fixed and at-risk remuneration;
- short and long-term incentives;
- amounts paid in cash and performance rights.

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

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Remuneration mix for the MD 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.

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.

Fixed remuneration

GDI positions fixed remuneration for the MD and Disclosed Executives against relevant A-REIT comparables taking into 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.

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 strategic objectives and teamwork. 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

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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 (25% of performance rights issued) and / or achieving long term strategic objectives as set by the Board (25% of the performance rights issued). The table below summarises the conditions that will apply to the performance rights granted for the year ended 30 June 2023. 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 2023 | | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|---|---|--|--|--|--|------|--|---|---------------------------------------|----|--|---|--|------|--|---------------------------|---|----|---|---------------|--|------|
| 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 three tests, with half the performance rights subject to a TSR test, 25% subject to a ATR test and 25% subject to achieving long term strategic objectives. | | | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>50% - Total Securityholder Return (TSR)</th> <th>Vesting percentage (for TSR measure)</th> </tr> </thead> <tbody> <tr> <td>Does not reach the 50th percentile of the TSR of the Comparator Group</td> <td>0%</td> </tr> <tr> <td>Reaches or exceeds the 50th percentile of the TSR of the Comparator Group but does not reach the 75th percentile</td> <td>50%, plus 2% for every one percentile increase above the 50th percentile</td> </tr> <tr> <td>Reaches or exceeds the 75th percentile of the TSR Comparator Group</td> <td>100%</td> </tr> <tr> <th>25% - Absolute Total Return (ATR)</th> <th>Vesting percentage (for ATR measure)</th> </tr> <tr> <td>Does not achieve an ATR of CPI + 1.0%</td> <td>0%</td> </tr> <tr> <td>Achieves or exceeds an ATR of CPI + 1.0% but does not achieve an ATR of CPI + 2.0%</td> <td>50% up to 100% (at CPI + 2.0% ATR) on a straight-line basis</td> </tr> <tr> <td>Achieves or exceeds an ATR of CPI + 2.0%</td> <td>100%</td> </tr> <tr> <th>25% - Strategic objectives (SO)</th> <th>Vesting percentage</th> </tr> <tr> <td>Does not achieve long term strategic objectives as set by the Board</td> <td>0%</td> </tr> <tr> <td>Achieves some of the strategic objectives as set by the Board</td> <td>0% up to 100%</td> </tr> <tr> <td>Achieves all of the strategic objectives as set by the Board</td> <td>100%</td> </tr> </tbody> </table> | 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% | 25% - Absolute Total Return (ATR) | Vesting percentage (for ATR measure) | Does not achieve an ATR of CPI + 1.0% | 0% | Achieves or exceeds an ATR of CPI + 1.0% but does not achieve an ATR of CPI + 2.0% | 50% up to 100% (at CPI + 2.0% ATR) on a straight-line basis | Achieves or exceeds an ATR of CPI + 2.0% | 100% | 25% - Strategic objectives (SO) | Vesting percentage | Does not achieve long term strategic objectives as set by the Board | 0% | Achieves some of the strategic objectives as set by the Board | 0% up to 100% | Achieves all of the strategic objectives as set by the Board | 100% |
| 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% | | | | | | | | | | | | | | | | | | | | | | | | |
| 25% - Absolute Total Return (ATR) | Vesting percentage (for ATR measure) | | | | | | | | | | | | | | | | | | | | | | | | |
| Does not achieve an ATR of CPI + 1.0% | 0% | | | | | | | | | | | | | | | | | | | | | | | | |
| Achieves or exceeds an ATR of CPI + 1.0% but does not achieve an ATR of CPI + 2.0% | 50% up to 100% (at CPI + 2.0% ATR) on a straight-line basis | | | | | | | | | | | | | | | | | | | | | | | | |
| Achieves or exceeds an ATR of CPI + 2.0% | 100% | | | | | | | | | | | | | | | | | | | | | | | | |
| 25% - Strategic objectives (SO) | Vesting percentage | | | | | | | | | | | | | | | | | | | | | | | | |
| Does not achieve long term strategic objectives as set by the Board | 0% | | | | | | | | | | | | | | | | | | | | | | | | |
| Achieves some of the strategic objectives as set by the Board | 0% up to 100% | | | | | | | | | | | | | | | | | | | | | | | | |
| Achieves all of the strategic objectives as set by the Board | 100% | | | | | | | | | | | | | | | | | | | | | | | | |
| | <p>Definitions</p> <table border="1"> <tbody> <tr> <td>TSR</td> <td>Movement in security price and distributions. For the year ended 30 June 2023, the commencing security price is based on the 30 June 2023 closing security price of GDI and its Comparator Group</td> </tr> <tr> <td>ATR</td> <td>Movement in NTA and distributions For the year ended 30 June 2023, the commencing NTA is based on the 30 June 2023 NTA.</td> </tr> </tbody> </table> | TSR | Movement in security price and distributions. For the year ended 30 June 2023, the commencing security price is based on the 30 June 2023 closing security price of GDI and its Comparator Group | ATR | Movement in NTA and distributions For the year ended 30 June 2023, the commencing NTA is based on the 30 June 2023 NTA. | | | | | | | | | | | | | | | | | | | | |
| TSR | Movement in security price and distributions. For the year ended 30 June 2023, the commencing security price is based on the 30 June 2023 closing security price of GDI and its Comparator Group | | | | | | | | | | | | | | | | | | | | | | | | |
| ATR | Movement in NTA and distributions For the year ended 30 June 2023, the commencing NTA is based on the 30 June 2023 NTA. | | | | | | | | | | | | | | | | | | | | | | | | |

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| | |
|------------------|---|
| Comparator Group | Dexus, The GPT Group, Abacus Property Group, Growthpoint Properties Australia, Cromwell Property Group, Australian Unity Office Property Fund, Centuria Office Fund, Elanor Commercial Property Fund, Garda Property Group and any other predominantly office landlord or real estate fund managers of similar scale in terms of market capitalisation and/or assets under management considered a comparator at the date of vesting. |
| 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 TSR performance rights are generally lower than the GDI security price at 30 June 2023, while the ATR and SO performance rights are the value of the GDI security price at 30 June 2023 (the same as the face value). The value of each LTI performance right is the average of the value of the TSR, ATR and SO performance right. Full details of the value, and the method of calculation, are provided in Note 31 of the GDI Financial Report. |

Other remuneration elements

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 Performance Rights Plan 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 merit basis. During the year ended 30 June 2023, cash bonuses to other employees totalled \$165,000, and they will also receive LTI performance rights with a value of \$265,000 and a 30 June 2023 employee benefit expense of \$66,250.

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 | 9.55 | 1.000 | (0.355) | 0.91 | 0.34 | 0.7025 | 34.8% | 3.6% | 114.6% | 12.0% |
| Since 1 July 2020 | 3.00 | 1.115 | (0.470) | 1.30 | (0.05) | 0.2050 | (23.8%) | (7.9%) | 11.9% | 4.0% |
| Since 1 July 2022 | 1.00 | 0.910 | (0.265) | 1.27 | - | 0.0500 | (23.6%) | (23.6%) | 2.4% | 2.4% |
| 30 June 2023 | | 0.645 | | 1.25 | | | | | | |

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5.6.2 Past issues of STI performance rights (FY20)

To enhance the alignment with securityholders, the FY20 STI granted to the previous MD, Steve Gillard, and Disclosed Executives, was paid entirely as a performance right where the principle performance condition was continued employment (or a good leaver) for three years from the conclusion of the performance year (FY23). In total, 636,825 performance rights were granted as part of the FY20 STI programme, including 533,687 to KMP. The expense of these performance rights was incurred over four years, the year to which the performance period relates (FY20) and the three vesting years (FY21, FY22 and FY23). Of the 636,825 STI performance rights granted, 387,330 vested as employees either continued in employment or were considered a good leaver, including 302,129 granted to KMP. Although the previous Managing Director, Mr S Gillard, was considered a good leaver, the 231,558 STI performance rights granted to him lapsed in accordance with Clause 11 of the Performance Rights Plan rules.

5.6.3 Past issues of LTI performance rights (FY20)

1,922,846 performance rights were granted as part of GDI's FY20 LTI plan. Although the previous MD, Steve Gillard, was considered a good leaver, 695,498 LTI performance rights granted to him lapsed in accordance with Clause 11 of the Performance Rights Plan rules, and a further 48,488 lapsed on the departure of an employee. The remaining performance rights were tested three years from issue, at which time they either vested or lapsed. The performance rights were 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).

5.6.3.1 TSR test

As at 30 June 2023, GDI's Comparator Group comprised 9 entities (10 including GDI). GDI's TSR for the three-year period ended 30 June 2022 was (7.9%)p.a. As GDI's TSR was not in either the 1st or 2nd quartile, none of these performance rights vested. The Comparator Group comprises the same entities that comprise the Comparator Group for the issue of FY23 LTIs (refer page 21).

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 2020 NTA | \$1.30 | FY21 | | \$0.0775 | | |
| 30 June 2023 NTA | \$1.25 | FY22 | | \$0.0775 | | |
| | | FY23 | | \$0.0500 | | |
| Total movement | \$(0.05) | Total distributions | \$0.2050 | \$0.1550 | 11.9% | 4.0% |

As the ATR was below the minimum threshold of 10%, no performance rights subject to the ATR test vested.

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 Disclosed Executives. Any payments made or payable to Paul Malek as part of his redundancy payment are not an STI payment or STI award.

| | Financial | | Operational | | Total | |
|----------------|--------------------------|------------------------|--------------------------|------------------------|-------------------|--------|
| | % weighting of total STI | % of total STI granted | % weighting of total STI | % of total STI granted | Total STI granted | % |
| David Williams | 30.0% | 30.0% | 70.0% | 70.0% | | 100.0% |
| David Ockenden | 20.0% | 20.0% | 80.0% | 80.0% | | 100.0% |
| John Garland | 20.0% | 20.0% | 80.0% | 80.0% | | 100.0% |
| Paul Malek | - | - | - | - | | - |

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

Financial

For FY23, the financial measure in the balanced scorecard was exceeding GDI's FFO budget by at least 2.5% (for 50% of the financial weighting) up to 5% or more (for 100% of the financial weighting). In previous years the Board had used an annual ATR measure for the financial test within the balanced scorecard, but the nature of GDI's business means that its ATR will have some level of annual volatility. For LTI purposes (also a part ATR test), the impact of this annual volatility is reduced because of the three-year testing cycle. Accordingly, the Board adopted a performance measure set against FFO budgets. As the biggest impact on exceeding budgets is a result of increased revenues through leasing or new initiatives, the Board considered exceeding budgets was the most appropriate financial measure.

The financial measure is summarised in the table below:

| | |
|---|------|
| Met FFO budget to 2.4% above FFO budget | 0% |
| Exceed FFO budget by 2.5% | 50% |
| Exceed FFO budget by 5.0% | 100% |

As the FFO exceeded the budgeted FFO by greater than 5.0%, all Disclosed Executives meet the financial hurdle of their balanced scorecard in full.

Operational

Operational measures for the 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 FY23, a summary of the operational objectives and balanced scorecard outcomes on an individual basis is provided in the table below.

| | Key operational achievements | Weighting as a % of total potential STI | Amount awarded as a % of total potential STI / % of operational objectives |
|----------------|--|---|--|
| David Williams | <ul style="list-style-type: none"> Capital management initiatives including relationship management with financiers, distributions, debt financing of the Co-living Joint Venture, and interest rate management Execution of the Co-living Joint Venture Transition of the MD Both unlisted and listed investor relations | 70% | 70%/100% |
| David Ockenden | <ul style="list-style-type: none"> Completion of WS2 and leasing momentum DA approval for timber / steel building on Mill Green Significant progress in relation to Wellington Street carpark Exceptional leadership of the WA office Strategic advancement of IKEA site | 80% | 80%/100% |

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| | | | |
|--------------|---|-----|----------|
| John Garland | <ul style="list-style-type: none"> • Oversight of East Coast office and WA non office asset portfolio, with notable success at Stanley Place, Townsville • Delivery of all capital markets transactions, in particular the acquisition of the South Hedland Co-living Joint Venture properties • Oversight of the progression of our ESG initiatives • Acceleration of the strata sell-down at 33 Market St, Brisbane | 80% | 80%/100% |
|--------------|---|-----|----------|

As each executive exceeding their individual operational KPIs, and the financial test was exceeded in full, each executive is entitled to receive 100% of their potential STI. Although the N&RC has in its absolute discretion the ability to reduce (but not increase) individual STI entitlements, it determined to award the STIs to the Disclosed Executives as entitled given the following factors:

- notwithstanding largely exceeded business objectives for the last three years, no KMP has received a cash component of an STI since 30 June 2019;
- given the changed management structure this financial year, the financial impost of the award is significantly less than it would typically be; and
- the base salary of the KMP is considered below market.

Securityholder alignment

To enhance the alignment with securityholders, the N&RC determined that 50% of any STI granted to Disclosed Executives would be granted as performance rights where the principle performance condition is continued employment (or a good leaver) for one year from the conclusion of the performance year. The expense of these performance rights is incurred over two years, the year to which the performance period relates (FY23) and the vesting year (FY24).

As the only performance condition for STI rights to vest is continued employment (or a good leaver) for one year from the end of the performance year, the value of each performance right is the same as the GDI closing price at 30 June 2023.

Further details of the STI outcomes for Disclosed Executives are provided in Section 5.7 of this Remuneration Report.

5.6.5 LTI outcomes

The Board considers it is important to 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 LTI performance rights to the MD and Disclosed Executives as part of their annual remuneration package. The details of the LTI performance rights are described in section 5.5 of this report. The issue of performance rights to the MD is subject to securityholder approval at the Annual General Meeting to be held on 9 November 2023. The expense of the performance rights relating to the year ended 30 June 2023 is incurred over four years, the year to which the performance period relates (FY23) and the three vesting years (FY24, FY25 and FY26). Any payments or award made or payable to Paul Malek as part of his redundancy payment are not an LTI payment or LTI award.

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. Details on the fair value of performance rights issued and intended to be issued are provided in Note 1(p)(iii) and Note 31.

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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 aggregate limit | The aggregate fee pool for NED's is \$3.0 million. The annual total of NEDs', 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 fees (inclusive of superannuation) | <table border="1"> <thead> <tr> <th colspan="2">Board</th> <th colspan="2">Committee</th> </tr> <tr> <th>Chairman</th> <th>Other NED</th> <th>Chairman</th> <th>Other NED</th> </tr> </thead> <tbody> <tr> <td>\$165,000</td> <td>\$90,000</td> <td>\$10,000</td> <td>\$5,000</td> </tr> </tbody> </table> | Board | | Committee | | Chairman | Other NED | Chairman | Other NED | \$165,000 | \$90,000 | \$10,000 | \$5,000 |
| Board | | Committee | | | | | | | | | | | |
| Chairman | Other NED | Chairman | Other NED | | | | | | | | | | |
| \$165,000 | \$90,000 | \$10,000 | \$5,000 | | | | | | | | | | |

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. Mr Burns was appointed Managing Director and CEO (MD) on 14 June 2023, having previously been Acting Managing Director from 16 March 2023, and a non-executive director since November 2018. The contract terms are in line with industry practice and ASX Corporate Governance Principles.

| | |
|--|---|
| Fixed remuneration | \$750,000, inclusive of superannuation. |
| Participation in performance rights plan | Subject to stapled securityholder approvals, Mr Burns is entitled to participate in the performance rights plan. |
| Length of contract | Mr Burns commenced as Managing Director on 14 June 2023 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 Burns 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 six months' notice, or alternatively, payment in lieu of notice. • In the event of wilful negligence or serious misconduct, GDI may terminate Mr Burns employment contract immediately by notice in writing and without payment. |
| Restraint of trade | Mr Burns 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 2023 is provided below, with the expense relating to the MD's remuneration disclosed in the following section 5.8.

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| Fixed remuneration | <p>The MD received \$169,739 of fixed remuneration for the year ended 30 June 2023, inclusive of superannuation, whilst acting as both Acting MD (from 16 March 2023) and MD (from 14 June 2023).</p> <p>The MD also received \$95,075 of director's fees up to his appointment as MD on 14 June 2023.</p> | | | | | | | | | | | | | | | | |
|-----------------------|--|-----------------------|-------------------|------------------|-------------------|--------------|--|--|-----------|--------------|-----------|---------|-----------|--------------|-----------|-----------|-----------|
| Sign-on rights | <p>Subject to securityholder approval, Mr Burns will be awarded \$500,000 (1,482,878 in number) of performance rights as a sign-on incentive. These performance rights are subject to a one-year (\$150,000, or 435,287 performance rights) and a two-year (\$350,000, or 1,047,591 performance rights) RTR test as detailed in the table below.</p> <table border="1"> <thead> <tr> <th>Financial year ending</th> <th>Value of rights</th> <th>Number of rights</th> <th>Accounting charge</th> </tr> </thead> <tbody> <tr> <td>30 June 2023</td> <td></td> <td></td> <td>\$191,667</td> </tr> <tr> <td>30 June 2024</td> <td>\$150,000</td> <td>435,287</td> <td>\$191,667</td> </tr> <tr> <td>30 June 2025</td> <td>\$350,000</td> <td>1,047,591</td> <td>\$116,667</td> </tr> </tbody> </table> <p>The commencing period for the two RTR tests is 14 June 2023 and the Comparator Group comprises the same entities that comprise the Comparator Group for the issue of FY23 LTIs</p> | Financial year ending | Value of rights | Number of rights | Accounting charge | 30 June 2023 | | | \$191,667 | 30 June 2024 | \$150,000 | 435,287 | \$191,667 | 30 June 2025 | \$350,000 | 1,047,591 | \$116,667 |
| Financial year ending | Value of rights | Number of rights | Accounting charge | | | | | | | | | | | | | | |
| 30 June 2023 | | | \$191,667 | | | | | | | | | | | | | | |
| 30 June 2024 | \$150,000 | 435,287 | \$191,667 | | | | | | | | | | | | | | |
| 30 June 2025 | \$350,000 | 1,047,591 | \$116,667 | | | | | | | | | | | | | | |
| LTI | <p>Subject to securityholder approval, the MD will receive an LTI award of \$562,500, being 1,190,478 performance rights. Fifty percent of these are subject to a Total Securityholder Return test (versus a peer group), twenty five percent are subject to an Absolute Total Return test (NTA growth plus distributions) and twenty five percent are subject to achieving long term strategic objectives. 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 29 of this Remuneration Report.</p> | | | | | | | | | | | | | | | | |

Disclosed Executive contract terms

The Disclosed Executive contract terms for the year ended 30 June 2023 are provided below:

| | David Williams | John Garland | Paul Malek | David Ockenden |
|--|--|--------------|------------|----------------|
| Fixed remuneration | \$400,000 | \$375,000 | \$375,000 | \$375,000 |
| 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. | | | |

GDI PROPERTY GROUP
DIRECTORS' REPORT

For the financial year ended 30 June 2023

Disclosed Executives remuneration outcomes

Actual remuneration provided to Disclosed Executives for the period ended 30 June 2023 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 29 of this Remuneration Report. The STI has been paid in cash and performance rights where the principle performance condition is remaining employed by a GDI entity for one year after the conclusion of the performance year. |
| LTI | The Disclosed Executives received an LTI as shown in the table on page 29 of this Remuneration Report. Fifty percent of these are subject to a Total Securityholder Return test (versus a peer group), twenty five percent are subject to an Absolute Total Return test (NTA growth plus distributions) and twenty five percent are subject to achieving long term strategic objectives. Each performance right is tested once three years after the conclusion of the performance year. |

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

MD and Disclosed Executive STI outcomes

| | Potential STI | STI granted | STI forgone | STI granted | STI forgone | Cash component | PR ¹ component | PR ¹ granted | FY23 PR ¹ Expense | Total expense |
|----------------------------|------------------|----------------|----------------|----------------|----------------|-------------------|------------------------------|----------------------------|---------------------------------|------------------|
| | \$ | \$ | \$ | % | % | \$ | \$ | Number | \$ | \$ |
| Stephen Burns ² | - | - | - | - | - | - | - | - | - | - |
| David Williams | 200,000 | 200,000 | - | 100.0% | 0.0% | 100,000 | 100,000 | 155,039 | 50,000 | 150,000 |
| David Ockenden | 187,500 | 187,500 | - | 100.0% | 0.0% | 93,750 | 93,750 | 145,349 | 46,875 | 140,625 |
| John Garland | 187,500 | 187,500 | - | 100.0% | 0.0% | 93,750 | 93,750 | 145,349 | 46,875 | 140,625 |
| Paul Malek | 187,500 | - | - | - | 100.0% | - | - | - | - | - |
| Total | 762,500 | 575,000 | 187,500 | | | 287,500 | 287,500 | 445,737 | 143,750 | 431,250 |

1. Performance rights.

2. Stephen Burns was appointed Managing Director on 14 June 2023.

MD and Disclosed Executive LTI outcome

| | LTI granted | PR ¹ Granted | FY23 PR ¹ expense |
|----------------------------|------------------|----------------------------|---------------------------------|
| | \$ | Number | \$ |
| Stephen Burns ² | 562,500 | 1,190,478 | 140,625 |
| David Williams | 200,000 | 423,282 | 50,000 |
| David Ockenden | 187,500 | 396,826 | 46,875 |
| John Garland | 187,500 | 396,826 | 46,875 |
| Paul Malek | - | - | - |
| Total | 1,137,500 | 2,407,412 | 284,375 |

1. Performance rights.

2. The issue of performance rights to Stephen Burns is subject to securityholder approval at the AGM to be held on 9 November 2023.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

MD and Disclosed Executive summary of performance rights issued¹

| | Primary performance condition employment | | | | Past year LTI | | FY23 LTI | | | | Total PR ⁵ |
|----------------------------|--|----------------|----------------|------------------|------------------|------------------|------------------|------------------|-----------------|------------------|-----------------------|
| | FY21 | FY22 | FY23 | Total | FY21 | FY22 | TSR ² | ATR ³ | SO ⁴ | Total | |
| | STI | STI | STI | STI | FY21 | FY22 | 30-Jun-26 | 30-Jun-26 | 30-Jun-26 | 30-Jun-26 | |
| Vesting date | 30-Jun-24 | 30-Jun-25 | 30-Jun-24 | | 30-Jun-24 | 30-Jun-25 | 30-Jun-26 | 30-Jun-26 | 30-Jun-26 | 30-Jun-26 | |
| Stephen Burns ⁶ | - | - | - | - | 435,287 | 1,047,591 | 595,239 | 297,619 | 297,620 | 1,190,478 | 2,673,356 |
| David Williams | 125,000 | 109,890 | 155,039 | 389,929 | 245,264 | 298,330 | 211,641 | 105,820 | 105,821 | 423,282 | 1,356,805 |
| David Ockenden | - | 107,143 | 145,349 | 252,492 | 214,606 | 279,684 | 198,413 | 99,206 | 99,207 | 396,826 | 1,143,608 |
| John Garland | 125,000 | 96,841 | 145,349 | 367,190 | 214,606 | 279,684 | 198,413 | 99,206 | 99,207 | 396,826 | 1,258,306 |
| Paul Malek | 125,000 | 96,841 | - | 221,841 | 214,606 | 279,684 | - | - | - | - | 716,131 |
| | 375,000 | 410,715 | 445,737 | 1,231,452 | 1,324,369 | 2,184,973 | 1,203,706 | 601,851 | 601,855 | 2,407,412 | 7,148,206 |

1. Does not include performance rights issued in relation to FY20 that were tested as at 30 June 2023.

2. Total shareholder return, being movement in the security price and distributions.

3. Absolute total return, being movement in NTA/security and distributions.

4. Strategic objectives, as determined by the Board.

5. Performance rights.

6. The issue of performance rights to Stephen Burns is subject to securityholders approval at the AGM to be held on 9 November 2023. The past year LTI issue to Stephen Burns relates to the sign-on performance rights to be issued to him, subject to securityholder approval.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

5.8 KMP remuneration table

5.8.1 KMP remuneration table for the period ended 30 June 2023

| | Short term benefits | | | Post employment Super contributions | Long term benefits Long service leave ¹ | Security based payments ³ | | | | | | Total remuneration ⁴ | | | |
|--------------------------------|---------------------|----------------------------|--------------------|--|---|--------------------------------------|--------------------|--------------------|--------------------------------|------------------------|------------------------|---------------------------------|---------------------|--------------------|-----|
| | Salary & fees | Accrued leave ¹ | Other ² | | | Relating to prior periods | | | Relating to current period | | | Total remuneration | Performance related | Performance rights | |
| | | | | | | Performance rights | Performance rights | Performance rights | LTI Sign-on Performance rights | STI Performance rights | LTI Performance rights | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % | |
| Non-executive directors | | | | | | | | | | | | | | | |
| G Anderson | 147,511 | - | - | - | 27,489 | - | - | - | - | - | - | - | 175,000 | - | - |
| J Tuxworth | 72,510 | - | - | - | 27,490 | - | - | - | - | - | - | - | 100,000 | - | - |
| G Woodgate | 90,498 | - | - | - | 9,502 | - | - | - | - | - | - | - | 100,000 | - | - |
| S Burns ⁵ | 86,041 | - | - | - | 9,034 | - | - | - | - | - | - | - | 95,075 | - | - |
| Managing Director | | | | | | | | | | | | | | | |
| S Burns ⁵ | 153,407 | 4,281 | - | - | 16,332 | 19 | - | - | - | 191,667 | - | 140,625 | 506,331 | 28% | 28% |
| S Gillard ⁶ | 521,060 | 22,269 | 377,829 | - | 25,296 | 8,417 | (623,954) | (459,000) | (219,459) | - | - | - | (347,542) | | |
| Disclosed executives | | | | | | | | | | | | | | | |
| D Williams | 374,704 | (8,154) | 866 | 100,000 | 25,296 | 14,200 | 47,500 | 85,000 | 75,000 | - | 50,000 | 50,000 | 814,412 | 50% | 38% |
| D Ockenden | 347,500 | 14,524 | - | 93,750 | 27,500 | 1,381 | 10,312 | 43,750 | 71,250 | - | 46,875 | 46,875 | 703,717 | 44% | 31% |
| J Garland | 349,704 | 8,409 | 815 | 93,750 | 25,296 | 6,620 | 43,750 | 78,750 | 68,906 | - | 46,875 | 46,875 | 769,750 | 49% | 37% |
| P Malek | 349,704 | (19,875) | 467 | - | 25,296 | 6,620 | 44,844 | 78,750 | 68,906 | - | - | - | 554,712 | 35% | 35% |
| Total | 2,492,639 | 21,454 | 379,977 | 287,500 | 218,531 | 37,257 | (477,548) | (172,750) | 64,604 | 191,667 | 143,750 | 284,375 | 3,471,455 | | |

- Annual and long-term service leave are accounted on an accrual basis. The amounts represent the change in accrued leave during the period.
- Other includes the cost of an annual gym membership and other items incurred by GDI as part of its employee health and wellbeing programme. In the case of Steve Gillard, see point 6 below.
- The amount shown is the fair value of performance rights under the various STI and LTI plans included in the relevant financial period and does not represent actual STI or LTI awards made.
- Amounts disclosed as total remuneration excludes insurance premiums paid by GDI in respect of Directors' and Officers' liability insurance contracts.
- S Burns received directors fees up until his appointment as Managing Director on 14 June 2023. He received a consultancy fee whilst acting as Acting Managing Director between 16 March 2023 and his appointment as Managing Director on 14 June 2023, after which he received a salary.
- S Gillard resigned with immediate effect as Managing Director on 15 March 2023. He received six months in lieu (\$377,829) and was paid out his annual and long service leave (\$216,533). Although considered a good leaver, the performance rights granted to him lapsed in accordance with Clause 11 of the Performance Rights Plan rules, resulting in a reversal of previous years' expenses.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

5.8.2 KMP remuneration table for the period ended 30 June 2022

| | Short term benefits | | | Post-employment Cash bonus | Super contributions | Long term benefits Long service leave ¹ | Security based payments ³ | | | | | Total remuneration ⁴ | | |
|--------------------------------|---------------------|-------------------------------|--------------------|----------------------------------|------------------------|---|--------------------------------------|-------------------------------|-------------------------------|------------------------------|------------------------------|---------------------------------|------------------------|-----------------------|
| | Salary & fees | Accrued leave ¹ | Other ² | | | | Relating to prior periods | | | Relating to current period | | Total remuneration | Performance related | Performance rights |
| | | | | | | | FY19 Performance rights | FY20 Performance rights | FY21 Performance rights | STI Performance rights | LTI Performance rights | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | % | % |
| Non-executive directors | | | | | | | | | | | | | | |
| G Anderson | 147,510 | - | - | - | 27,490 | - | - | - | - | - | - | 175,000 | - | - |
| J Tuxworth | 72,501 | - | - | - | 27,499 | - | - | - | - | - | - | 100,000 | - | - |
| G Woodgate | 90,909 | - | - | - | 9,091 | - | - | - | - | - | - | 100,000 | - | - |
| S Burns | 90,909 | - | - | - | 9,091 | - | - | - | - | - | - | 100,000 | - | - |
| Managing Director | | | | | | | | | | | | | | |
| S Gillard | 737,500 | 18,713 | - | - | 27,500 | 18,498 | 211,570 | 207,985 | 229,500 | 76,022 | 143,438 | 1,670,725 | 52% | 52% |
| Disclosed executives | | | | | | | | | | | | | | |
| D Williams | 375,000 | 11,415 | 1,227 | - | 25,000 | 9,672 | 73,750 | 72,500 | 85,000 | 25,000 | 50,000 | 728,564 | 42% | 42% |
| J Garland | 350,000 | 13,062 | 839 | - | 25,000 | 12,184 | 63,438 | 65,625 | 78,750 | 22,031 | 46,875 | 677,804 | 41% | 41% |
| P Malek | 351,426 | 13,878 | - | - | 23,574 | 10,948 | 64,750 | 66,719 | 78,750 | 22,031 | 46,875 | 678,951 | 41% | 41% |
| D Ockenden ⁵ | 311,960 | 27,305 | - | - | 24,687 | 427 | 102,504 | 41,248 | 43,750 | 24,375 | 46,875 | 623,131 | 41% | 42% |
| Total | 2,527,715 | 84,373 | 2,066 | - | 198,932 | 51,729 | 516,012 | 454,077 | 515,750 | 169,459 | 334,063 | 4,854,176 | | |

1. Annual and long-term service leave are accounted on an accrual basis. The amounts represent the change in accrued leave during the period.

2. Other includes the cost of an annual gym membership and other items incurred by GDI as part of its employee health and wellbeing programme.

3. The amount shown is the fair value of performance rights under the various STI and LTI plans included in the relevant financial period and does not represent actual STI or LTI awards made.

4. Amounts disclosed as total remuneration excludes insurance premiums paid by GDI in respect of Directors' and Officers' liability insurance contracts.

5. D Ockenden commenced employment with GDI on 9 August 2021

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the financial year ended 30 June 2023

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 | 102,000 | - | 112,000 | 214,000 |
| Stephen Burns | 49,533 | - | - | 49,533 |
| John Tuxworth | 270,300 | - | - | 270,300 |
| Giles Woodgate | - | - | 500,000 | 500,000 |
| Steve Gillard* | 30,447,580 | 196,773 | - | 30,644,353 |
| Other key management personnel | | | | |
| David Williams | 1,652,155 | 68,592 | - | 1,720,747 |
| David Ockenden | 535,769 | - | - | 535,769 |
| John Garland | 971,991 | 56,859 | (100,000) | 928,850 |
| Paul Malek | 458,867 | 60,650 | - | 519,517 |

*Steve Gillard resigned as Managing Director with immediate effect on 15 March 2023. The securities shown as held by Steve Gillard at end of the period were as at 15 March 2023. Steve Gillard ceased to be a substantial holder of GDI on 15 June 2023.

There were no other transactions with KMP in the year ended 30 June 2023.

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 2023

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 2023:

| | |
|-------------------------|--------------|
| Provision of tax advice | \$ 92,000 |
|-------------------------|--------------|

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:

1. 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
2. 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



Stephen Burns
Managing Director & Chief Executive Officer

Sydney
Dated this 21st day of August 2023

GDI PROPERTY GROUP

AUDITORS INDEPENDENCE DECLARATION

For the financial year ended 30 June 2023



**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 Property Group Limited and GDI Funds Management Limited as responsible entity for GDI Property Trust.

As the lead audit partner for the audit of the financial report of GDI Property Trust and GDI Property Group Limited and their controlled entities (collectively "GDI Property Group") for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

DREW TOWNSEND
Partner
Dated: 21 August 2023

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | Notes | GDI | | Trust | |
|---|----------|----------------|----------------|----------------|----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Revenue from ordinary activities | | | | | |
| Property revenue | | 60,037 | 41,584 | 57,831 | 41,123 |
| Funds management revenue | | 2,495 | 2,618 | - | - |
| Interest revenue | | 437 | 126 | 806 | 123 |
| Total revenue from ordinary activities | 2 | 62,969 | 44,328 | 58,636 | 41,245 |
| Share of net profits from joint ventures | 15 | 1,149 | - | 276 | - |
| Net fair value gain/(loss) on interest rate swaps | | (725) | 2,473 | (725) | 2,473 |
| Net fair value gain/(loss) on investment property | 10 | (1,097) | 51,408 | (1,097) | 51,408 |
| Profit on sale of non-current asset held for sale | | (122) | 7,800 | (122) | 7,800 |
| Total income | | 62,174 | 106,009 | 56,969 | 102,927 |
| Expenses | | | | | |
| Property expenses | | 21,833 | 20,227 | 20,921 | 19,720 |
| Finance costs | 3 | 11,981 | 5,266 | 11,973 | 5,292 |
| Corporate and administration expenses | 4 | 7,618 | 8,678 | 4,933 | 5,528 |
| Provision for impairment of debts | 7 | 7 | (1) | 7 | (1) |
| Acquisition expenses | | 257 | 3,654 | 10 | 3,654 |
| Total expenses | | 41,696 | 37,826 | 37,844 | 34,194 |
| Profit before tax | | 20,478 | 68,184 | 19,125 | 68,732 |
| Income tax benefit/(expense) | 5 | (188) | 126 | - | - |
| Net profit from continuing operations | | 20,290 | 68,309 | 19,125 | 68,732 |
| Other comprehensive income from associates | | (62) | (8) | (62) | (8) |
| Total comprehensive income for the year | | 20,228 | 68,301 | 19,063 | 68,724 |
| Profit and total comprehensive income attributable to: | | | | | |
| Company shareholders | | 1,165 | (423) | - | - |
| Trust unitholders | | 15,481 | 48,544 | 15,481 | 48,544 |
| Profit and total comprehensive income attributable to: | | | | | |
| Stapled securityholders | | 16,647 | 48,121 | 15,481 | 48,544 |
| External non-controlling interests | | 3,582 | 20,180 | 3,582 | 20,180 |
| Profit after tax from continuing operations | | 20,228 | 68,301 | 19,063 | 68,724 |
| | | Cents | Cents | Cents | Cents |
| Basic earnings per stapled security/trust unit | 22 | 3.13 | 8.93 | 2.91 | 9.01 |
| Diluted earnings per stapled security/trust unit | 22 | 3.11 | 8.86 | 2.89 | 8.94 |

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

As at 30 June 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | Note | GDI | | Trust | |
|---|------|------------------|------------------|------------------|------------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Current assets | | | | | |
| Cash and cash equivalents | 6 | 8,228 | 12,570 | 5,931 | 10,653 |
| Trade and other receivables | 7 | 2,221 | 4,568 | 1,755 | 4,231 |
| Derivative financial instruments | 14 | 730 | 528 | 730 | 528 |
| Other assets | 8 | 8,198 | 6,547 | 31,578 | 7,836 |
| Right of use asset | | 280 | - | - | - |
| Non-current assets held for sale | 9 | 30 | 1,240 | 30 | 1,240 |
| Total current assets | | 19,687 | 25,452 | 40,025 | 24,487 |
| Non-current assets | | | | | |
| Investment properties | 10 | 1,051,157 | 1,008,376 | 1,051,157 | 1,008,376 |
| Plant and equipment | 11 | 286 | 157 | 237 | 100 |
| Right of use asset | | - | 560 | - | - |
| Deferred tax assets | 12 | 1,002 | 1,190 | - | - |
| Intangible assets | 13 | 18,110 | 18,110 | - | - |
| Derivative financial instruments | 14 | 1,139 | 1,943 | 1,139 | 1,943 |
| Investments in joint ventures | 15 | 34,149 | - | 11,276 | - |
| Investments in associates | | 3,483 | 3,595 | 3,483 | 3,595 |
| Total non-current assets | | 1,109,326 | 1,033,932 | 1,067,292 | 1,014,015 |
| Total assets | | 1,129,013 | 1,059,384 | 1,107,317 | 1,038,502 |
| Current liabilities | | | | | |
| Borrowings | 18 | - | 29,965 | - | 29,965 |
| Trade and other payables | 16 | 18,344 | 34,147 | 17,168 | 33,174 |
| Lease liability | | 288 | 285 | - | - |
| Provisions | 17 | 554 | 621 | - | - |
| Total current liabilities | | 19,186 | 65,018 | 17,168 | 63,139 |
| Non-current liabilities | | | | | |
| Borrowings | 18 | 344,741 | 216,245 | 344,716 | 216,220 |
| Lease liability | | - | 285 | - | - |
| Provisions | 17 | 109 | 210 | - | - |
| Other liabilities | | 17 | 23 | - | - |
| Total non-current liabilities | | 344,867 | 216,764 | 344,716 | 216,220 |
| Total liabilities | | 364,053 | 281,782 | 361,883 | 279,359 |
| Net assets | | 764,960 | 777,603 | 745,433 | 759,143 |
| Equity | | | | | |
| Contributed equity | 19 | 21,888 | 22,007 | 493,081 | 495,728 |
| Reserves | 20a | 138 | 223 | 3,039 | 4,917 |
| Retained earnings | 20b | (2,498) | (3,770) | 169,421 | 178,159 |
| Equity attributable to equity holders of the Company/Trust | | 19,527 | 18,460 | 665,541 | 678,804 |
| Non-controlling interests | | | | | |
| Unitholders of the Trust | | | | | |
| Contributed equity | 19 | 493,081 | 495,728 | - | - |
| Reserves | 20a | 3,039 | 4,917 | - | - |
| Retained earnings | 20b | 169,421 | 178,159 | - | - |
| Total equity attributable to trust unitholders | | 665,541 | 678,804 | - | - |
| Equity attributed to holders of stapled securities | | 685,068 | 697,264 | - | - |
| External non-controlling interest | | | | | |
| Contributed equity | | 64,625 | 64,625 | 64,625 | 64,625 |
| Retained earnings | 20b | 15,268 | 15,714 | 15,268 | 15,714 |
| Total equity attributable to external non-controlling interest | | 79,892 | 80,339 | 79,892 | 80,339 |
| Total equity | | 764,960 | 777,603 | 745,433 | 759,143 |

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2023

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 (External) \$'000 | Total equity \$'000 |
| Balance as at 1 July 2021 | 22,340 | 209 | (3,413) | 19,136 | 677,420 | 64,147 | 760,704 |
| Comprehensive income | | | | | | | |
| (Loss)/profit for the year | - | - | (423) | (423) | 48,552 | 20,180 | 68,309 |
| Other comprehensive income | - | - | - | - | (8) | - | (8) |
| Total comprehensive income for the year | - | - | (423) | (423) | 48,544 | 20,180 | 68,301 |
| Transactions with securityholders in their capacity as securityholders | | | | | | | |
| Security-based payments expense | - | 104 | - | 104 | 2,297 | - | 2,401 |
| Issue and formation costs | - | - | - | - | (2) | (1) | (3) |
| Cash settlement transaction – Performance rights | - | (25) | - | (25) | (543) | - | (568) |
| Transfer from security based payment reserve | - | (66) | 66 | - | - | - | - |
| On-market securities buy-back | (333) | - | - | (333) | (7,336) | - | (7,669) |
| Distributions paid/payable | - | - | - | - | (41,577) | (3,988) | (45,565) |
| Total transactions with securityholders in their capacity as securityholders | (333) | 13 | 66 | (253) | (47,161) | (3,989) | (51,403) |
| Balance as at 30 June 2022 | 22,007 | 223 | (3,770) | 18,460 | 678,804 | 80,339 | 777,603 |
| Balance as at 1 July 2022 | 22,007 | 223 | (3,770) | 18,460 | 678,804 | 80,339 | 777,603 |
| Comprehensive income | | | | | | | |
| Profit/(loss) for the year | - | - | 1,165 | 1,165 | 15,543 | 3,582 | 20,290 |
| Other comprehensive income | - | - | - | - | (62) | - | (62) |
| Total comprehensive income for the year | - | - | 1,165 | 1,165 | 15,481 | 3,582 | 20,228 |
| Transactions with securityholders in their capacity as securityholders | | | | | | | |
| Security-based payments expense | - | 39 | - | 39 | 862 | - | 901 |
| Cash settlement transaction – Performance rights | - | (17) | - | (17) | (380) | - | (397) |
| Transfer from security based payment reserve | - | (107) | 107 | - | - | - | - |
| On-market securities buy-back | (120) | - | - | (120) | (2,647) | - | (2,767) |
| Distributions paid/payable | - | - | - | - | (26,580) | (4,028) | (30,608) |
| Total transactions with securityholders in their capacity as securityholders | (120) | (85) | 107 | (98) | (28,744) | (4,028) | (32,871) |
| Balance as at 30 June 2023 | 21,888 | 138 | (2,498) | 19,527 | 665,541 | 79,892 | 764,960 |

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2023

Trust

| | Equity attributable to unitholders of the Trust | | | Total equity attributable to unitholders of the Trust \$'000 | External non-controlling interest (External) \$'000 | Total equity \$'000 |
|---|---|--------------------|-----------------------------|---|--|------------------------|
| | Contributed equity \$'000 | Reserves \$'000 | Retained earnings \$'000 | | | |
| Balance as at 1 July 2021 | 503,066 | 4,625 | 169,730 | 677,420 | 64,147 | 741,567 |
| Comprehensive income | | | | | | |
| Profit for the year | - | - | 48,552 | 48,552 | 20,180 | 68,732 |
| Other comprehensive income | - | - | (8) | (8) | - | (8) |
| Total comprehensive income for the year | - | - | 48,544 | 48,544 | 20,180 | 68,724 |
| Transactions with unitholders in their capacity as unitholders | | | | | | |
| Security-based payments expense | - | 2,297 | - | 2,297 | - | 2,297 |
| Issue and formation costs | (2) | - | - | (2) | (1) | (3) |
| Cash settlement transaction – Performance rights | - | (543) | - | (543) | - | (543) |
| Transfer from security based payment reserve | - | (1,461) | 1,461 | - | - | - |
| On-market securities buy-back | (7,336) | - | - | (7,336) | - | (7,336) |
| Distributions paid/payable | - | - | (41,577) | (41,577) | (3,988) | (45,565) |
| Total transactions with unitholders in their capacity as unitholders | (7,338) | 293 | (40,116) | (47,161) | (3,989) | (51,149) |
| Balance as at 30 June 2022 | 495,728 | 4,917 | 178,159 | 678,804 | 80,339 | 759,143 |
| Balance as at 1 July 2022 | 495,728 | 4,917 | 178,159 | 678,804 | 80,339 | 759,143 |
| Comprehensive income | | | | | | |
| Profit for the year | - | - | 15,543 | 15,543 | 3,582 | 19,125 |
| Other comprehensive income | - | - | (62) | (62) | - | (62) |
| Total comprehensive income for the year | - | - | 15,481 | 15,481 | 3,582 | 19,063 |
| Transactions with unitholders in their capacity as unitholders | | | | | | |
| Security-based payments expense | - | 862 | - | 862 | - | 862 |
| Cash settlement transaction – Performance rights | - | (380) | - | (380) | - | (380) |
| Transfer from security based payment reserve | - | (2,360) | 2,360 | - | - | - |
| On-market securities buy-back | (2,647) | - | - | (2,647) | - | (2,647) |
| Distributions paid/payable | - | - | (26,580) | (26,580) | (4,028) | (30,608) |
| Total transactions with unitholders in their capacity as unitholders | (2,647) | (1,878) | (24,220) | (28,744) | (4,028) | (32,773) |
| Balance as at 30 June 2023 | 493,081 | 3,039 | 169,421 | 665,541 | 79,892 | 745,433 |

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the financial year ended 30 June 2023

CONSOLIDATED STATEMENT OF CASH FLOWS

| | Notes | GDI | | Trust | |
|---|-----------|-----------------|-----------------|-----------------|-----------------|
| | | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Cash flows from operating activities | | | | | |
| Receipts in the course of operations | | 66,541 | 60,492 | 61,969 | 58,258 |
| Payments in the course of operations | | (29,971) | (23,707) | (26,670) | (21,563) |
| Interest received | | 437 | 126 | 806 | 123 |
| Interest paid | | (11,626) | (4,812) | (11,628) | (4,736) |
| Net cash inflow from operating activities | 26 | 25,381 | 32,098 | 24,476 | 32,082 |
| Cash flows from investing activities | | | | | |
| Payments for investment properties | | - | (72,154) | - | (72,154) |
| Proceeds from the sale of investment property | | 1,087 | 108,380 | 1,087 | 108,380 |
| Payments for capital expenditure | | (18,289) | (15,058) | (18,289) | (15,058) |
| Payments for investment properties under construction | | (32,517) | (30,441) | (32,271) | (30,441) |
| Payments for plant and equipment | | (144) | (111) | (137) | (100) |
| Payments of incentives and leasing fees | | (3,026) | (1,729) | (3,026) | (1,729) |
| (Loan to)/repayment of loans from associated companies | | (580) | 1,199 | (22,728) | 336 |
| Acquisition of equity accounted investment | | (33,000) | (3,705) | (11,000) | (3,705) |
| Dividends received from equity accounted investment | | 51 | 102 | 51 | 102 |
| Net cash used in investing activities | | (86,418) | (13,518) | (86,313) | (14,370) |
| Cash flows from financing activities | | | | | |
| Payments for the on-market buy-back of securities | | (2,767) | (7,669) | (2,647) | (7,336) |
| Payment of loan transaction costs | | (89) | (815) | (89) | (815) |
| Payment of dividends/distributions | | (38,045) | (45,840) | (38,045) | (45,840) |
| Proceeds from borrowings | | 98,275 | 145,259 | 98,275 | 145,259 |
| Repayment of borrowings | | - | (107,286) | - | (107,286) |
| Equity issue costs | | - | (3) | - | (3) |
| Cash settlement transaction – Performance rights | | (397) | (568) | (380) | (543) |
| Principal reduction in lease liabilities | | (283) | (277) | - | - |
| Net cash from financing activities | | 56,695 | (17,199) | 57,115 | (16,564) |
| Net (decrease)/increase in cash and cash equivalents | | (4,342) | 1,382 | (4,721) | 1,148 |
| Cash and cash equivalents at beginning of year | | 12,570 | 11,188 | 10,653 | 9,504 |
| Cash and cash equivalents at the end of the year | 6 | 8,228 | 12,570 | 5,931 | 10,653 |

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 21 August 2023 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 2023, 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 32.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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) Investment in associates

An associate is an entity over which GDI has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the entity but is not control or joint control of those policies. Investments in associates are accounted for in the consolidated financial statements by applying the equity method of accounting, whereby the investment is initially recognised at cost (including transaction costs) and adjusted thereafter for the post-acquisition change in GDI's share of net assets of the associate. In addition, GDI's share of the profit or loss and other comprehensive income is included in the consolidated financial statements.

The carrying amount of the investment includes, when applicable, goodwill relating to the associate. Any discount on acquisition, whereby GDI's share of the net fair value of the associate exceeds the cost of investment, is recognised in profit or loss in the period in which the investment is acquired.

Profits and losses resulting from transactions between GDI and the associate are eliminated to the extent of GDI's interest in the associate.

When GDI's share of losses in an associate equals or exceeds its interest in the associate, GDI discontinues recognising its share of further losses unless it has incurred legal or constructive obligations or made payments on behalf of the associate. When the associate subsequently makes profits, GDI will resume recognising its share of those profits once its share of the profits equals the share of the losses not recognised.

The requirements of AASB 128: Investments in Associates and Joint Ventures and AASB 9: Financial Instruments are applied to determine whether it is necessary to recognise any impairment loss with respect to GDI's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with AASB 136: Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the investment subsequently increases.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

(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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 cannot 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 into 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 into 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 2023

(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 are 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 probably 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 | 2.5% - 50% |

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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 creditworthiness;
- 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 (aa) 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

GDI as lessee

At inception of a contract, GDI assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability is recognised by GDI where GDI is a lessee. However, all contracts that are classified as short-term leases (lease with remaining lease term of 12 months or less) and leases of low value assets are recognised as an operating expense on a straight-line basis over the term of the lease. Initially the lease liability is measured at the present value of the lease payments still to be paid at commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, GDI uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options if lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability as mentioned above, any lease payments made at or before the commencement date as well as any initial direct costs. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses. Right-of-use assets are depreciated over the lease term or useful life of the underlying asset whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that GDI anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

GDI as lessor

GDI leases property to lessees. Upon entering into each contract as a lessor, GDI assesses if the lease is a finance or operating lease. The contract is classified as a finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases not within this definition are classified as operating leases.

Rental income received from operating leases is recognised on a straight-line basis over the term of the specific lease. Initial direct costs incurred in entering into an operating lease (for example legal cost, cost to setup) are included in the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term. Lessees may also be offered incentives as an inducement to enter into 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 or relocation costs. Any incentive is also recognised as an asset in the statement of financial position as a component of the carrying amount of the investment property and amortised over the lease period as a reduction in rental income. In certain circumstances, GDI will invest in a "spec" fit-out. Such fit-outs are not considered part of a lessee's incentive as they are owned by GDI.

Rental income due under finance leases is recognised as receivables at the amount of GDI's net investment in the leases. When a contract is determined to include lease and non-lease components, GDI applies AASB 15 to allocate the consideration under the contract to each component.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 (i.e. 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

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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.

(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.

(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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

(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.

(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.

(aa) 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 is 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

(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(o), however the fair values of derivatives reported at 30 June 2023 may differ if there is volatility in market rates in future periods. The valuation techniques are discussed in detail at Note 30 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 31. 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.

(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 and GDI No. 46 Property Trust, even though it has less than 50% of the units on issue in either trust. GDI is the majority unitholder of GDI No. 42 Office Trust with a 43.68% interest and GDI No. 46 Property Trust with a 47.19% interest, while all other unitholders in both trusts 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 of both trusts.

NOTE 2 – REVENUE

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| a) Revenue | | | | |
| Rent and recoverable outgoings | 69,174 | 63,257 | 66,968 | 62,796 |
| Lease costs and incentive amortisation | (9,137) | (21,673) | (9,137) | (21,673) |
| Funds management revenue | 2,495 | 2,618 | - | - |
| Interest and other income | 437 | 126 | 806 | 123 |
| Total revenue from ordinary activities | 62,969 | 44,328 | 58,636 | 41,245 |

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Revenue from contracts with customers | 2,495 | 2,618 | - | - |
| Revenue based on AASB 16 | 60,037 | 41,584 | 57,831 | 41,123 |
| Other sources of revenue | 437 | 126 | 806 | 123 |
| Total revenue from ordinary activities | 62,969 | 44,328 | 58,636 | 41,245 |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

b) Disaggregated revenue

| | Funds management | | Lease income | | Total | |
|------------------------------------|------------------|--------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| GDI | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Geographical markets | | | | | | |
| NSW | 2,495 | 2,618 | - | - | 2,495 | 2,618 |
| WA | - | - | 56,185 | 36,613 | 56,185 | 36,613 |
| QLD | - | - | 3,852 | 4,971 | 3,852 | 4,971 |
| Total | 2,495 | 2,618 | 60,037 | 41,584 | 62,532 | 44,202 |
| Timing and recognition | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Services transferred to customers: | | | | | | |
| At a point in time | - | - | - | - | - | - |
| Over time | 2,495 | 2,618 | 60,037 | 41,584 | 62,532 | 44,202 |
| Total | 2,495 | 2,618 | 60,037 | 41,584 | 62,532 | 44,202 |

| | Lease income | | Total | |
|------------------------------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| Trust | \$'000 | \$'000 | \$'000 | \$'000 |
| Geographical markets | | | | |
| NSW | - | - | - | - |
| WA | 53,979 | 36,152 | 53,979 | 36,152 |
| QLD | 3,852 | 4,971 | 3,852 | 4,971 |
| Total | 57,831 | 41,123 | 57,831 | 41,123 |
| Timing and recognition | \$'000 | \$'000 | \$'000 | \$'000 |
| Services transferred to customers: | | | | |
| At a point in time | - | - | - | - |
| Over time | 57,831 | 41,123 | 57,831 | 41,123 |
| Total | 57,831 | 41,123 | 57,831 | 41,123 |

| | GDI | | Trust | |
|---------------------------------------|------------|------------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 |
| c) Other sources of revenue | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest received | | | | |
| - unrelated parties | 195 | 9 | 563 | 6 |
| - related parties | 242 | 117 | 242 | 117 |
| Total interest received | 437 | 126 | 806 | 123 |
| Other | - | - | - | - |
| Total other sources of revenue | 437 | 126 | 806 | 123 |

NOTE 3 – FINANCE COSTS

| | GDI | | Trust | |
|----------------------------|---------------|--------------|---------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Finance costs | \$'000 | \$'000 | \$'000 | \$'000 |
| Interest paid / payable | 11,981 | 5,266 | 11,973 | 5,292 |
| Total finance costs | 11,981 | 5,266 | 11,973 | 5,292 |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 4 – CORPORATE AND ADMINISTRATION EXPENSES

| | GDI | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Corporate and administration expenses | | | | |
| Audit and taxation fees | 273 | 234 | 70 | 47 |
| Custodian fees | 94 | 91 | 94 | 91 |
| Occupancy expenses | 19 | 301 | 1 | - |
| Employee benefits expense | 5,508 | 6,703 | 302 | 2,326 |
| Others | 1,724 | 1,350 | 4,467 | 3,064 |
| Total corporate and administration expenses | 7,618 | 8,678 | 4,933 | 5,528 |

For 30 June 2023, the employee benefits expense includes a \$1,382,000 (Trust \$1,323,000) reversal of previous years' expense of forfeited performance rights.

NOTE 5 – INCOME TAX (EXPENSE)/BENEFIT

| | GDI | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Income tax benefit | | | | |
| a) The components of tax (expense)/benefit comprise: | | | | |
| Current tax | - | - | - | - |
| Deferred tax | (188) | 126 | - | - |
| Income tax (expense)/benefit | (188) | 126 | - | - |
| b) Reconciliation of income tax (expense)/benefit to prima facie tax payable: | | | | |
| Prima facie tax payable on profit/(loss) from ordinary activities before income tax at 27.5% | (338) | 147 | - | - |
| Add tax effect of: | | | | |
| Tax effect of reduction in tax rate | - | - | - | - |
| Other non-allowable items | (68) | (1) | - | - |
| Share option expensed | (3) | (26) | - | - |
| Less tax effect of: | | | | |
| Share options paid | 4 | 6 | - | - |
| Non-taxable trust income | 217 | - | - | - |
| Income tax (expense)/benefit attributable to GDI/ Trust | (188) | 126 | - | - |

NOTE 6 – CASH AND CASH EQUIVALENTS

| | GDI | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Cash and cash equivalents | | | | |
| Cash at bank | 8,228 | 12,570 | 5,931 | 10,653 |
| Total cash and cash equivalents | 8,228 | 12,570 | 5,931 | 10,653 |

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 7 – TRADE AND OTHER RECEIVABLES

| | GDI | | Trust | |
|--|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other receivables | | | | |
| Trade receivables | 1,986 | 2,938 | 1,531 | 2,636 |
| Others | 241 | 1,631 | 230 | 1,597 |
| Provision for expected credit losses | (6) | (2) | (6) | (2) |
| Total trade and other receivables | 2,221 | 4,568 | 1,755 | 4,231 |

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 | 2 | 2 |
| Charge for the year | 7 | 7 |
| Amounts written off | (3) | (3) |
| Balance as at 30 June 2023 | 6 | 6 |

Trade receivables

Included in trade and other receivables of GDI is \$52,000 (2022: \$276,000) of fees charged to managed funds that remain unpaid. Of this, nil (2022: nil) has been provisioned for expected credit losses. A further \$348,000 (2022: \$769,000) of rent is past due. Of this, \$6,000 (2022: \$2,000) 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, as 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 entering insolvency administration, or 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.

| GDI | Current | 31 – 60 | 61 - 90 | >90 days past due | Total |
|-----------------------------|---------|------------------|------------------|----------------------|--------|
| | | days past due | days past due | | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| 2023 | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | |
| Gross carrying amount | 1,632 | 115 | 56 | 177 | 1,980 |
| Loss allowing for provision | - | - | - | - | - |
| 2022 | | | | | |
| Expected loss rate | 0% | 0% | 0% | 0% | |
| Gross carrying amount | 2,168 | 122 | 37 | 610 | 2,936 |
| Loss allowing for provision | - | - | - | - | - |

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For the financial year ended 30 June 2023

| Trust | Current | 31 – 60 | 61 - 90 | >90 days | Total |
|-----------------------------|---------|------------------|------------------|----------|--------|
| | | days past due | days past due | past due | |
| 2023 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected loss rate | 0% | 0% | 0% | 0% | |
| Gross carrying amount | 1,177 | 115 | 56 | 177 | 1,525 |
| Loss allowing for provision | - | - | - | - | - |
| 2022 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Expected loss rate | 0% | 0% | 0% | 0% | |
| Gross carrying amount | 1,865 | 122 | 37 | 610 | 2,634 |
| Loss allowing for provision | - | - | - | - | - |

NOTE 8 – OTHER ASSETS

| | GDI | | Trust | |
|-------------------------------|--------------|--------------|---------------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Other assets | \$'000 | \$'000 | \$'000 | \$'000 |
| Prepayment | 495 | 437 | 32 | 30 |
| Development works in progress | 2,332 | 1,319 | 2,332 | 1,319 |
| Loans to managed funds | 5,371 | 4,791 | 5,051 | 4,687 |
| Loans to related parties | - | - | 24,163 | 1,799 |
| Total other assets | 8,198 | 6,547 | 31,578 | 7,836 |

NOTE 9 – NON-CURRENT ASSETS HELD FOR SALE

| | GDI | | Trust | |
|-----------------------------------|-----------|--------------|-----------|--------------|
| | 2023 | 2022 | 2023 | 2022 |
| Assets held for sale | \$'000 | \$'000 | \$'000 | \$'000 |
| Investment properties | 30 | 1,240 | 30 | 1,240 |
| Total assets held for sale | 30 | 1,240 | 30 | 1,240 |

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 10 – INVESTMENT PROPERTIES

| | GDI | | Trust | |
|--|------------------|------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| a) Investment properties at fair value | | | | |
| <i>Movement in investment properties</i> | | | | |
| Balance at beginning of the year | 1,008,376 | 852,087 | 1,008,376 | 852,087 |
| Additions | | | | |
| - Investment property | 25,567 | 68,500 | 25,567 | 68,500 |
| Capital works | | | | |
| - Investment properties under construction | - | 36,171 | - | 36,171 |
| - Property improvements | 9,605 | 13,552 | 9,605 | 13,552 |
| - Maintenance capital (GDI Property Trust) | 6,823 | 2,449 | 6,823 | 2,449 |
| - Maintenance capital (Consolidated Trusts) | 473 | 177 | 473 | 177 |
| Straight-lining of rental income | (979) | (1,560) | (979) | (1,560) |
| Lease costs | 3,017 | 1,081 | 3,017 | 1,081 |
| Amortisation of lease costs | (828) | (793) | (828) | (793) |
| Net gain/(loss) from fair value adjustments | (1,097) | 51,408 | (1,097) | 51,408 |
| Incentives paid (GDI Property Trust) | 8,536 | 3,701 | 8,536 | 3,701 |
| Incentives paid (Consolidated Trusts) | - | (91) | - | (91) |
| Non-cash incentives paid (GDI Property Trust) | 55 | 1,340 | 55 | 1,340 |
| Reclassified rent receivable | - | 956 | - | 956 |
| Amortisation of incentives (GDI Property Trust) | (8,291) | (20,576) | (8,291) | (20,576) |
| Amortisation of incentives (Consolidated Trusts) | (91) | - | (91) | - |
| Impact of COVID-19 | | | | |
| - Incentives paid | 9 | - | 9 | - |
| - Amortisation of incentives paid | (18) | (35) | (18) | (35) |
| - Non-cash incentives paid | - | 9 | - | 9 |
| Balance as at 30 June | 1,051,157 | 1,008,376 | 1,051,157 | 1,008,376 |

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 non-current investment properties 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.

| <i>Valuation basis</i> | 2023 | 2022 |
|---|-----------|-----------|
| Weighted average capitalisation rate (%) | 6.6% | 6.5% |
| Weighted average lease expiry by occupied area ¹ (years) | 5.2 years | 3.1 years |
| Occupancy ¹ (%) | 82.5% | 72.5% |

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 12 to 24 months and tenant retention of 50%.

c) Assets pledged as security

Borrowings (refer Note 18) are secured by a General Security Agreement over the assets of each company plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

1. Excludes 1 Mill Street, but includes the small commercial tenancies at the Perth CBD carparks and the showrooms in the Autoleague portfolio. The 30 June 2022 comparisons did not include the Autoleague portfolio.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Lease receivable commitments | | | | |
| Within one year | 64,618 | 61,583 | 64,618 | 61,583 |
| Later than one year but not later than five years | 175,291 | 195,804 | 175,291 | 195,804 |
| Later than five years | 118,248 | 91,581 | 118,248 | 91,581 |
| Total other | 358,157 | 348,968 | 358,157 | 348,968 |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 | | | | | | | |
| Westralia Square, Perth | Freehold | 27 October 2017 | 216,250 | 28 July 2023 | 371,000 | 371,000 | (1,400) |
| WS2 | Freehold | 13 June 2023 | 67,494 | 28 July 2023 | 90,000 | 90,000 | 10,006 |
| 197 St Georges Terrace, Perth | Freehold | 16 December 2013 | 233,316 | 31 December 2022 | 207,500 | 212,759 | (13,506) |
| 5 Mill Street, Perth | Freehold | 16 December 2013 | 53,323 | 31 December 2022 | 58,000 | 58,113 | (142) |
| 1 Mill Street, Perth | Freehold | 16 December 2013 | 46,017 | 31 December 2022 | 36,000 | 36,000 | 35 |
| 180 Hay Street, Perth | Freehold | 31 July 2020 | 12,595 | 31 December 2022 | 20,500 | 20,507 | (1,238) |
| Murray Street Carpark | Freehold | 22 December 2021 | 38,250 | 31 December 2022 | 42,500 | 42,594 | 3,900 |
| Wellington Street Carpark | Freehold | 22 December 2021 | 30,250 | 31 December 2022 | 32,000 | 32,158 | 2,031 |
| Autoleague Portfolio | Freehold | 14 February 2020 | 98,000 | 30 June 2022 | 136,545 | 136,626 | - |
| 235 Stanley Street, Townsville | Freehold | 16 June 2016 | 53,500 | 31 December 2022 | 51,000 | 51,400 | (783) |
| Total investment properties | | | | | 1,045,045 | 1,051,157 | (1,097) |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 11 – PLANT AND EQUIPMENT

| a) | GDI | | Trust | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Plant and equipment | | | | |
| Furniture and fittings at cost | 301 | 181 | 237 | 100 |
| Accumulated depreciation | (15) | (24) | - | - |
| Total other | 286 | 157 | 237 | 100 |

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 | 70 |
| Additions | 111 | 111 |
| Depreciation | (24) | (24) |
| Balance as at 30 June 2022 | 157 | 157 |
| Balance at beginning of year | 157 | 157 |
| Additions | 144 | 144 |
| Depreciation | (15) | (15) |
| Balance as at 30 June 2023 | 286 | 286 |

NOTE 12 – DEFERRED TAX ASSETS

| | Opening Balance \$'000 | (Charged)/ Credited to Profit or Loss \$'000 | (Charged)/ Credited Directly to Equity \$'000 | Closing Balance \$'000 |
|-------------------------------|------------------------------|---|---|------------------------------|
| 30 June 2023 | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred tax asset on: | | | | |
| Provisions | 248 | (49) | - | 199 |
| Tax losses carried forward | 942 | (139) | - | 803 |
| Net amount | 1,190 | (188) | - | 1,002 |

| | Opening Balance \$'000 | (Charged)/ Credited to Profit or Loss \$'000 | (Charged)/ Credited Directly to Equity \$'000 | Closing Balance \$'000 |
|-------------------------------|------------------------------|---|---|------------------------------|
| 30 June 2022 | \$'000 | \$'000 | \$'000 | \$'000 |
| Deferred tax asset on: | | | | |
| Provisions | 202 | 45 | - | 248 |
| Tax losses carried forward | 862 | 81 | - | 942 |
| Net amount | 1,065 | 126 | - | 1,190 |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 13 – INTANGIBLE ASSETS

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'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 Expert's 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 2023 | New funds (p.a.) | Fee income | Terminal value growth rate | Discount rate |
|--------------------------|------------------|---|----------------------------|---------------|
| Funds management segment | \$72.63 million | Management fee – 0.65% and 1.00% Acquisition fee – 2% Disposal fee – 2% | 5.0% | 17.5% |
| 30 June 2022 | New funds (p.a.) | Fee income | Terminal value growth rate | Discount rate |
| Funds management segment | \$72.63 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 2023

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.

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 | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Current interest rate swaps asset/(liability) | 730 | 528 | 730 | 528 |
| Non-current interest rate swaps asset/(liability) | 1,139 | 1,943 | 1,139 | 1,943 |
| Total derivative financial instruments asset/(liability) | 1,869 | 2,471 | 1,869 | 2,471 |

NOTE 15 – INVESTMENTS IN JOINT VENTURES

a) Information about joint ventures:

GDI has a 49.99% interest (2022: 0%) in Resource Accommodation Management Pty Ltd and a 50% (2022: 0%) interest in RAM Operations Pty Ltd, GDI Tulla Investment Management Pty Ltd and the Co-living Accommodation Trust 1 (held by the Trust). The joint ventures are collectively described as the Co-living joint venture.

The Co-living joint venture owns and operates co-living mining accommodation facilities in Norseman and South Hedland, Western Australia. GDI’s interest in the Co-living joint venture represents a strategic investment and compliments both GDI’s Property and Funds Management businesses.

GDI and the Trust’s interests are accounted for using the equity method in the consolidated financial statements. Summarised information of the Co-living joint venture and reconciliation with the carrying amount of the investment are set out below:

b) Summarised statement of financial position of the Co-living joint venture:

| | GDI | | Trust | |
|--|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Current assets | 4,964 | - | 553 | - |
| Non-current assets | 52,230 | - | 26,622 | - |
| Current liabilities | 3,687 | - | 70 | - |
| Non-current liabilities | 6,638 | - | 4,553 | - |
| Equity | 46,868 | - | 22,553 | - |
| GDI’s share in equity | 23,434 | - | 11,276 | - |
| Goodwill | 10,715 | - | - | - |
| Carrying amount of the investment | 34,149 | - | 11,276 | - |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

c) Summarised statement of profit or loss of the Co-living joint venture:

| | GDI | | Trust | |
|--|--------------|--------|------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Revenue from contracts with customers | 6,542 | - | 622 | - |
| Cost of sales | (1,196) | - | - | - |
| Operating expenses | (3,048) | - | (70) | - |
| Profit before tax | 2,298 | - | 553 | - |
| Income tax expense | - | - | - | - |
| Total comprehensive income for the year | 2,298 | - | 553 | - |
| Share of net profits for the year | 1,149 | - | 276 | - |

d) Reconciliation of the Co-living joint venture to carrying amounts:

| | GDI | | Trust | |
|--|---------------|--------|---------------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| GDI's share of opening net assets | - | - | - | - |
| Investments during the period | 33,000 | - | 11,000 | - |
| GDI's share of net profits for the year | 1,149 | - | 276 | - |
| Carrying amount of the investment | 34,149 | - | 11,276 | - |

The Co-living joint venture had no contingent liabilities or commitments as at 30 June 2023. Profits from the Co-living joint venture cannot be distributed without consent from the two joint venture partners.

NOTE 16 – TRADE AND OTHER PAYABLES

| | GDI | | Trust | |
|---------------------------------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade and other payables | | | | |
| Trade payables and accruals | 4,525 | 12,809 | 3,546 | 11,894 |
| Distribution payable | 13,290 | 20,727 | 13,290 | 20,727 |
| Other payables | 530 | 611 | 332 | 553 |
| Total trade and other payables | 18,344 | 34,147 | 17,168 | 33,174 |

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 2023 to 30 June 2023, declared in June and payable in August 2023.

NOTE 17 – PROVISIONS

| | GDI | | Trust | |
|-------------------------|------------|------------|--------|--------|
| | 2023 | 2022 | 2023 | 2022 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Provisions | | | | |
| Current | | | | |
| Employee benefits | 554 | 621 | - | - |
| Non-current | | | | |
| Employee benefits | 109 | 210 | - | - |
| Total provisions | 662 | 831 | - | - |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 18 – 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 | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Borrowings | | | | |
| <i>Secured liabilities:</i> | | | | |
| Capital Loan Agreement ¹ | - | 30,000 | - | 30,000 |
| Transaction costs | - | (35) | - | (35) |
| Total current borrowings | - | 29,965 | - | 29,965 |

b) Interest bearing liabilities – non-current

| | GDI | | Trust | |
|-------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Borrowings | | | | |
| <i>Secured liabilities:</i> | | | | |
| Capital Loan Agreement ¹ | 30,000 | - | 30,000 | - |
| Loans - financial institutions | 315,106 | 216,806 | 315,106 | 216,806 |
| Transaction costs | (365) | (560) | (390) | (585) |
| Total non-current borrowings | 344,741 | 216,245 | 344,716 | 216,220 |

1. The Capital Loan Agreement relates to GDI No. 46 Property Trust and is secured against the assets of that trust. Interest is paid monthly in arrears at variable rates.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

c) Borrowing details

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

| Facility | Secured | Maturity date | Facility \$'000 | Utilised \$'000 | Unutilised \$'000 |
|--------------------------------------|---------|---------------|--------------------|--------------------|----------------------|
| Facility Tranche C ² | Yes | July 2024 | 244,437 | 203,606 | 40,831 |
| Facility Tranche F ² | Yes | July 2024 | 68,500 | 68,500 | - |
| Facility Tranche G ² | Yes | July 2024 | 33,000 | 33,000 | - |
| Bank Bill Business Loan ³ | Yes | July 2024 | 11,500 | 10,000 | 1,500 |
| Capital Loan Agreement ⁴ | Yes | February 2025 | 30,000 | 30,000 | - |
| | | | 387,437 | 345,106 | 42,331 |
| Facility Tranche D ^{2,5} | Yes | July 2024 | 5,563 | - | - |
| Total facility | | | 393,000 | 345,106 | 42,331 |

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 | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Due within one year | 16,715 | 35,867 | 16,715 | 35,867 |
| Due between one and five years | 347,355 | 222,512 | 347,355 | 222,512 |
| Due after five years | - | - | - | - |
| | 364,069 | 258,379 | 364,069 | 258,379 |

The amount due within one year includes the estimated interest expense.

NOTE 19 – CONTRIBUTED EQUITY

| Contributed equity | GDI | | Trust | |
|---------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Contributed equity | 514,969 | 517,736 | 493,081 | 495,728 |
| Total contributed equity | 514,969 | 517,736 | 493,081 | 495,728 |

- Facility Tranche C, F and D are secured by first registered mortgages 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.
- 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.
- The Capital Loan Agreement relates to GDI No. 46 Property Trust and is secured against the assets of that trust. Interest is paid monthly in arrears at variable rates.
- 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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

a) Movements in ordinary securities/units

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | No ('000) | \$'000 | No ('000) | \$'000 |
| Securities on issue at beginning of the year | 541,988 | 525,406 | 541,988 | 503,066 |
| On-market buyback | (7,103) | (7,669) | (7,103) | (7,336) |
| Issue and formation costs – GDI No. 46 Property Trust | - | (2) | - | (2) |
| Contributed equity attributable to shareholders/unitholders as at 30 June 2022 | 534,884 | 517,735 | 534,884 | 495,728 |
| Securities on issue at beginning of the year | 534,884 | 517,735 | 534,884 | 495,728 |
| On-market buyback | (3,292) | (2,767) | (3,292) | (2,647) |
| Contributed equity attributable to shareholders/unitholders as at 30 June 2023 | 531,592 | 514,968 | 531,592 | 493,081 |

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 20 – RESERVES AND RETAINED EARNINGS

a) Security-based payment reserve

| | GDI \$'000 | Trust \$'000 |
|--|---------------|-----------------|
| Balance at the beginning of the year | 4,834 | 4,625 |
| Security-based payments expense | 2,401 | 2,297 |
| Cash settlement transaction – Performance rights | (568) | (543) |
| Transfer from security based payment reserve | (1,527) | (1,461) |
| Balance as at 30 June 2022 | 5,140 | 4,917 |
| Balance at the beginning of the year | 5,140 | 4,917 |
| Security-based payments expense | 901 | 862 |
| Cash settlement transaction – Performance rights | (397) | (380) |
| Transfer from security based payment reserve | (2,467) | (2,360) |
| Balance as at 30 June 2023 | 3,177 | 3,039 |

The security-based payment reserve is used to recognise the fair value of performance rights issued under the performance rights plan. Refer to Note 31 for further details.

b) Retained earnings

| | GDI \$'000 | Trust \$'000 |
|--|----------------|-----------------|
| Balance at the beginning of the year | 165,838 | 169,252 |
| Net profit for the financial period | 68,301 | 68,724 |
| Transfer from security based payment reserve | 1,527 | 1,461 |
| Less: Dividends/distributions paid/payable | (45,565) | (45,565) |
| Balance as at 30 June 2022 | 190,103 | 193,873 |
| Balance at the beginning of the year | 190,103 | 193,873 |
| Net profit for the financial period | 20,228 | 19,063 |
| Transfer from security based payment reserve | 2,467 | 2,360 |
| Less: Dividends/distributions paid/payable | (30,608) | (30,608) |
| Balance as at 30 June 2023 | 182,191 | 184,689 |

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

c) Treasury security reserve

| | Note | GDI \$'000 | Trust \$'000 |
|--------------------------------------|------|---------------|-----------------|
| Balance at the beginning of the year | | - | - |
| On-market buyback | | (7,669) | (7,336) |
| Cancellation of treasury securities | 19a | 7,669 | 7,336 |
| Balance as at 30 June 2022 | | - | - |
| Balance at the beginning of the year | | - | - |
| On-market buyback | | (2,766) | (2,766) |
| Cancellation of treasury securities | 19a | 2,766 | 2,766 |
| Balance as at 30 June 2023 | | - | - |

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

NOTE 21 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

a) Dividends paid/payable by the Company

There were no dividends paid or payable by GDI in respect of the 2023 and 2022 financial years.

b) Distributions paid/payable by GDI /Trust

| | GDI | | Trust | |
|--|----------------------------|----------------------------|------------------------|------------------------|
| | 2023 cents/ security | 2022 cents/ security | 2023 cents/ unit | 2022 cents/ unit |
| Distributions paid / payable by GDI / Trust | | | | |
| 28 February 2022 | - | 3.875 | - | 3.875 |
| 31 August 2022 | - | 3.875 | - | 3.875 |
| 28 February 2023 | 2.500 | - | 2.500 | - |
| 31 August 2023 | 2.500 | - | 2.500 | - |
| Total distributions paid / payable by GDI / Trust | 5.000 | 7.750 | 5.000 | 7.750 |

NOTE 22 – EARNINGS PER SECURITY/UNIT

| | GDI | | Trust | |
|--|---------------|---------------|---------------|---------------|
| | 2023 cents | 2022 cents | 2023 cents | 2022 cents |
| Basic earnings per security/unit | 3.13 | 8.93 | 2.91 | 9.01 |
| Diluted earnings per security/unit | 3.11 | 8.86 | 2.89 | 8.94 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Earnings used to calculate basic and diluted earnings per security/unit: | | | | |
| Profit for the year | 16,647 | 48,121 | 15,521 | 48,544 |
| Profit attributable to ordinary securityholders/equityholders of the Group/Trust used in calculating basic and diluted earnings per security/unit | 16,647 | 48,121 | 15,521 | 48,544 |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

| | GDI | | Trust | |
|---|------------------|------------------|------------------|------------------|
| | 2023 No.(000) | 2022 No.(000) | 2023 No.(000) | 2022 No.(000) |
| Weighted average number of ordinary securities/units used in calculating basic earnings per security/unit | 532,420 | 538,720 | 532,420 | 538,720 |
| Weighted average number of ordinary securities/units used in calculating diluted earnings per security/unit | 535,226 | 542,950 | 535,226 | 542,950 |

NOTE 23 – PARENT ENTITY DISCLOSURES

GDI Property Group Limited

a) Summary financial information

The individual financial statements for GDI Property Group Limited (the Company) show the following aggregate amounts:

| | Company | |
|---|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 |
| Results | | |
| Profit/(loss) for the period | (5) | 68 |
| Total comprehensive profit / (loss) for the period | (5) | 68 |
| Financial position | | |
| Current assets | 21 | 56 |
| Total assets | 21,770 | 21,757 |
| Current liabilities | 136 | 157 |
| Total liabilities | 2,073 | 1,956 |
| Net assets | 19,697 | 19,801 |
| Contributed equity | 21,888 | 22,008 |
| Reserves | 138 | 223 |
| Accumulated losses | (2,328) | (2,430) |
| Total equity | 19,697 | 19,801 |

b) Guarantees entered in to by the parent entity

During the years ended 30 June 2023 and 30 June 2022 the Company did not enter into any guarantee in favour of entities it controlled.

c) Contingent liabilities

The Company had no contingent liabilities at year end.

d) Contractual commitments

As at 30 June 2023 and as at 30 June 2022, the Company had no commitments in relation to capital expenditure contracted for but not provided as liabilities.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 24 – 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, including the co-living mining accommodation |
| 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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

c) Segment information

| 30 June 2023 | Property \$'000 | Funds management \$'000 | Reviewed but unallocated \$'000 | Total \$'000 |
|--|--------------------|-------------------------------|--|-----------------|
| Operating earnings | | | | |
| Net property income | 39,353 | - | - | 39,353 |
| Funds Management income | - | 2,495 | - | 2,495 |
| Other income | - | - | - | - |
| Total operating earnings | 39,353 | 2,495 | - | 41,848 |
| FFO adjustments | | | | |
| Straight-lining rental income | 979 | - | 5 | 984 |
| Amortisation and depreciation | 9,137 | - | 15 | 9,152 |
| Adjustment for GDI No. 42 Office Trust | (2,510) | 761 | - | (1,749) |
| Adjustment for GDI No. 46 Property Trust | (8,686) | 3,554 | 77 | (5,055) |
| FFO pre corporate, administration and interest expenses / income | 38,273 | 6,810 | 97 | 45,180 |
| +/- corporate, administration and interest expense / income | | | | |
| Interest paid | (9,225) | (391) | - | (9,616) |
| Interest income | 800 | (368) | - | 431 |
| Corporate and administration expenses | (2,228) | - | (5,390) | (7,618) |
| Other comprehensive income | - | (62) | - | (62) |
| Provision for impairment of debts | (7) | - | - | (7) |
| Income tax (expense)/benefit | - | (188) | - | (188) |
| Total FFO | 27,613 | 5,800 | (5,292) | 28,121 |
| +/- AIFRS adjustments from FFO to profit after tax from ordinary activities | | | | |
| Net fair value gain on interest rate swaps | (725) | - | - | (725) |
| Net fair value gain of investment properties | (1,097) | - | - | (1,097) |
| Straight-lining rental income | (979) | - | (5) | (984) |
| Amortisation of leasing fees and incentives | (9,137) | - | - | (9,137) |
| Amortisation of loan establishment costs | (344) | - | - | (344) |
| Depreciation | - | - | (15) | (15) |
| Capital loss on sales | (122) | - | - | (122) |
| Adjustment for GDI No. 42 Office Trust | 2,039 | (761) | - | 1,278 |
| Adjustment for GDI No. 46 Property Trust | 7,072 | (3,554) | - | 3,518 |
| Acquisition and other costs | (264) | - | - | (264) |
| Profit after tax from ordinary activities | 24,055 | 1,486 | (5,312) | 20,228 |

Segment assets and liabilities

| 30 June 2023 | Property | Funds management | External non- controlling interest | Total |
|---------------------|----------------|---------------------|---|----------------|
| Total assets | 920,012 | 106,041 | 101,098 | 1,127,151 |
| Total liabilities | (321,682) | (18,763) | (21,746) | (362,190) |
| Net assets | 598,330 | 87,278 | 79,352 | 764,960 |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

| | Property \$'000 | Funds management \$'000 | Reviewed but unallocated \$'000 | Total \$'000 |
|--|--------------------|-------------------------------|--|-----------------|
| 30 June 2022 | | | | |
| Operating earnings | | | | |
| Net property income | 21,356 | - | - | 21,356 |
| Funds Management income | - | 2,618 | - | 2,618 |
| Other income | - | - | - | - |
| Total operating earnings | 21,356 | 2,618 | - | 23,974 |
| FFO adjustments | | | | |
| Straight-lining rental income | 1,560 | - | (6) | 1,554 |
| Amortisation and depreciation | 21,673 | - | 24 | 21,697 |
| Adjustment for GDI No. 42 Office Trust | (2,397) | 761 | 1 | (1,635) |
| Adjustment for GDI No. 46 Property Trust | (8,312) | 3,413 | 19 | (4,881) |
| FFO pre corporate, administration and interest expenses / income | 33,880 | 6,792 | 38 | 40,710 |
| +/- corporate, administration and interest expense / income | | | | |
| Interest paid | (3,790) | (14) | - | (3,805) |
| Interest income | 122 | 3 | - | 126 |
| Corporate and administration expenses | (4,273) | - | (4,406) | (8,678) |
| Provision for impairment of debts | 1 | - | - | 1 |
| Income tax (expense)/benefit | - | 126 | - | 126 |
| Other comprehensive income | - | (8) | - | (8) |
| Total FFO | 25,940 | 6,899 | (4,367) | 28,471 |
| +/- AIFRS adjustments from FFO to profit after tax from ordinary activities | | | | |
| Net fair value gain on interest rate swaps | 2,473 | - | - | 2,473 |
| Net fair value gain of investment properties | 51,408 | - | - | 51,408 |
| Straight-lining rental income | (1,560) | - | 6 | (1,554) |
| Amortisation of leasing fees and incentives | (21,673) | - | - | (21,673) |
| Amortisation of loan establishment costs | (495) | - | - | (495) |
| Depreciation | - | - | (24) | (24) |
| Profit on sale of non-current asset held for sale | 7,800 | - | - | 7,800 |
| Adjustment for GDI No. 42 Office Trust | 2,187 | (761) | - | 1,426 |
| Adjustment for GDI No. 46 Property Trust | 7,537 | (3,413) | - | 4,124 |
| Acquisition and other costs | (3,654) | - | - | (3,654) |
| Profit after tax from ordinary activities | 69,962 | 2,725 | (4,386) | 68,301 |

Segment assets and liabilities

| | Property | Funds management | External non- controlling interest | Total |
|---------------------|----------------|---------------------|---|----------------|
| 30 June 2022 | | | | |
| Total assets | 849,310 | 106,348 | 101,258 | 1,056,915 |
| Total liabilities | (238,855) | (18,738) | (21,720) | (279,313) |
| Net assets | 610,456 | 87,609 | 79,538 | 777,603 |

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 25 – COMMITMENTS

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Commitments | | | | |
| Capital commitments | | | | |
| Capital expenditure | - | 24,177 | - | 24,177 |
| Total capital commitments | - | 24,177 | - | 24,177 |
| Lease payable commitments | | | | |
| Within one year | 304 | 293 | - | - |
| Later than one year but not later than five years | 20 | 324 | - | - |
| Later than five years | - | - | - | - |
| Total lease payable commitments | 324 | 617 | - | - |

NOTE 26 – RECONCILIATION OF NET PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

a) Reconciliation of cash from operations with profit after tax

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Net profit | 20,228 | 68,301 | 19,063 | 68,724 |
| Non-cash and other movements | | | | |
| Amortisation of loan establishment costs and depreciation | 359 | 520 | 344 | 535 |
| Amortisation of lease incentives and lease costs | 9,137 | 21,673 | 9,137 | 21,673 |
| Straight-lining rental income | 979 | 1,560 | 979 | 1,560 |
| Non-cash incentives | (8,418) | (2,962) | (8,407) | (2,962) |
| Fair value adjustments to: | | | | |
| - Investment properties | 1,097 | (51,408) | 1,097 | (51,408) |
| - Interest rate swaps | 602 | (2,473) | 602 | (2,473) |
| Profit on sale of non-current asset held for sale | 122 | (7,800) | 122 | (7,800) |
| Acquisition expenses | 257 | 3,654 | - | 3,654 |
| Net movement in provision for bad debts | 10 | (1) | 10 | (1) |
| Bad debts written off | (6) | 3 | (6) | 3 |
| Movement in employee incentive scheme reserve | 901 | 2,401 | 862 | 2,297 |
| Other comprehensive income | (1,087) | 8 | (214) | 8 |
| Right of use asset | 280 | 280 | - | - |
| (Increase)/decrease from operating activities in | | | | |
| Trade and other receivables | 2,261 | (3,200) | 2,390 | (3,275) |
| Other assets | (58) | (135) | (2) | 245 |
| Trade and other payables | (1,297) | 1,646 | (1,501) | 1,302 |
| Provisions | (168) | 150 | - | - |
| Other liabilities | (5) | 6 | - | - |
| Deferred tax | 188 | (126) | - | - |
| Net cash provided by operating activities | 25,381 | 32,098 | 24,476 | 32,082 |

b) Credit standby facilities with bank

Refer to Note 18 for details of unutilised finance facilities.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 27 – 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 years ended 30 June 2023 and 30 June 2022.

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

Key management personnel compensation

| | GDI | | Trust | |
|-------------------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| KMP compensation | | | | |
| Short term employee benefits | 3,182 | 2,614 | - | - |
| Post-employment benefits | 219 | 199 | - | - |
| Other long-term benefits | 37 | 52 | - | - |
| Security-based payments | 34 | 1,989 | 33 | 1,903 |
| Total KMP compensation | 3,471 | 4,854 | 33 | 1,903 |

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 31 and the issue of performance rights for the years ended 30 June 2022, 30 June 2021 and 30 June 2020. For 30 June 2023, the employee benefits expense includes a \$1,382,000 (Trust \$1,323,000) reversal of previous years' expense of forfeited performance rights.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

a) Equity instrument disclosure relating to key management personnel

| | Securities held at 30 June 2021 | Securities granted as part of a performance rights plan | Net securities acquired / (sold) during the year | Securities held at 30 June 2022 | Securities granted as part of a performance rights plan | Net securities acquired / (sold) during the year | Securities held at 30 June 2023 |
|---------------------------------------|---------------------------------|---|--|---------------------------------|---|--|---------------------------------|
| Directors | | | | | | | |
| Gina Anderson | 80,000 | - | 22,000 | 102,000 | - | 112,000 | 214,000 |
| Stephen Burns | 49,533 | - | - | 49,533 | - | - | 49,533 |
| John Tuxworth | 170,300 | - | 100,000 | 270,300 | - | - | 270,300 |
| Giles Woodgate | - | - | - | - | - | 500,000 | 500,000 |
| Steve Gillard* | 30,332,580 | 222,384 | (107,384) | 30,447,580 | 196,773 | - | 30,644,353 |
| Other key management personnel | | | | | | | |
| David Williams | 1,624,636 | 77,519 | (50,000) | 1,652,155 | 68,592 | - | 1,720,747 |
| David Ockenden ¹ | 430,066 | - | 105,703 | 535,769 | - | - | 535,769 |
| John Garland | 904,162 | 67,829 | - | 971,991 | 56,859 | (100,000) | 928,850 |
| Paul Malek | 433,232 | 67,829 | (42,194) | 458,867 | 60,650 | - | 519,517 |

*Steve Gillard resigned as Managing Director with immediate effect on 15 March 2023. The securities shown for Steve Gillard as being held at 30 June 2023 were as at 15 March 2023. Steve Gillard ceased to be a substantial holder of GDI on 15 June 2023.

Securities held includes indirect holdings and holdings held by related parties of key management personnel.

NOTE 28 – 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 27 and the Remuneration Report contained in the Directors' Report.

(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 2023

There are no transactions with KMP in the year ended 30 June 2023.

Transactions with related parties in the year ended 30 June 2022

Prior to his appointment as Head of Development in August 2021, David Ockenden was contracted to provide development management services to GDI through his privately owned company Oculus Pty Limited. During the year ended 30 June 2022, GDI paid Oculus Pty Limited \$784,429 for development services, including bonus and other payments that related to work done during previous financial years.

1. David Ockenden commenced employment with GDI on 9 August 2021 and held 430,066 securities at that time.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 and GDI Investment Management Pty Limited as Investment Manager 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:

- Gina Anderson
- John Tuxworth
- Giles Woodgate
- Stephen Burns
- Steve Gillard (resigned 15 March 2023)

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 2023 the Responsible Entity charged \$458,000 (2022: \$791,000), with no balance owing as at 30 June 2023.

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 2023, GDI Investment Management Pty Limited charged \$2,500,000 (2022: \$1,000,000), with no balance owing as at 30 June 2023.

The Trust has lent GDI Investment Management Pty Limited \$22,000,000 to finance GDI Investment Management Pty Limited's investment into the Co-Living Joint Venture. Interest is charged on an arm's length basis. For the year ended 30 June 2023, the interest income and expense of the Trust and GDI Investment Management Pty Limited was \$381,876.

Relating to the year ended 30 June 2022, prior to his appointment (by GDI Investment Management Pty Limited) as Head of Development in August 2021, David Ockenden was contracted to provide development management services to GDI through his privately owned company Oculus Pty Limited. During the year ended 30 June 2022, GDI paid Oculus Pty Limited \$784,429 for development services, including bonus payments that related to work done during previous financial years.

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 immaterial and domestic in nature.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 29 – 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 fundamentalsThe relative cost and availability of debt and equityForecast cash flows and capital expenditure requirementsCurrent and future debt covenantsFinancial risk management | <ul style="list-style-type: none">Need to comply with the capital and distribution requirements of GDI Property Trust's trust deedNeed 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 | 2023 | 2022 | Bank covenant | 2023 | 2022 |
|------------------|--------------|------|------|---------------|------|------|
| LVR ¹ | < 40% | 35% | 26% | < 50% | 35% | 26% |
| ICR ² | > 2.5X | 3.0X | 4.9X | > 2X | 3.0X | 4.9X |

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

The gearing ratio as at 30 June 2023 of GDI and Trust was 31% (2022: 23%) and 31% (2022: 23%) respectively (as detailed below).

| | Note | GDI | | Trust | |
|---|-------|------------------|------------------|------------------|------------------|
| | | 2023 | 2022 | 2023 | 2022 |
| Net debt and adjusted assets | | \$'000 | \$'000 | \$'000 | \$'000 |
| Total borrowings | 18 | 344,741 | 246,210 | 344,716 | 246,185 |
| Less: cash and cash equivalents | 6 | (8,228) | (12,570) | (5,931) | (10,653) |
| Net debt | | 336,513 | 233,641 | 338,785 | 235,533 |
| Total assets | | 1,129,013 | 1,059,384 | 1,107,317 | 1,038,502 |
| Less: intangible assets and deferred tax assets | 13/12 | (19,112) | (19,301) | - | - |
| Less: cash and cash equivalents | 6 | (8,228) | (12,570) | (5,931) | (10,653) |
| Adjusted assets | | 1,101,673 | 1,027,514 | 1,101,386 | 1,027,849 |
| Gearing ratio | | 31% | 23% | 31% | 23% |

1. 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.

2. Bank covenant ICR is EBIT/Interest expense and for the year ended 30 June 2023, any acquisition expenses have been reversed from the EBIT calculation.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 | |
|--------------------|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| One - three months | 1,803 | 2,329 | 1,348 | 2,027 |
| Three - six months | 177 | 537 | 177 | 537 |
| Over six months | - | 73 | - | 73 |
| Total | 1,980 | 2,938 | 1,525 | 2,637 |

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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NOTES TO THE FINANCIAL STATEMENTS

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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 1.06 years (2022: 1.78 years).

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

| | GDI | | Trust | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2022 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Due within one year | 35,063 | 70,014 | 33,887 | 69,041 |
| Due between one and five years | 347,355 | 222,512 | 347,355 | 222,512 |
| Due after five years | - | - | - | - |
| Total | 382,418 | 292,526 | 381,241 | 291,553 |

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, 49.2% (2022:24.2%) of GDI's Principal Facility's borrowings were hedged. None of the borrowings of either GDI No. 42 Office Trust or GDI No. 46 Property Trust are 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, the expiry profile of GDI's interest rate derivatives is shown below:

| | Notional Principal \$'000 | Effective average fixed rate % |
|-----------------------------|---------------------------------|---|
| Principal Facility | | |
| Expiry December 2024 (FY25) | 100,000 | 3.00% |
| Expiry December 2025 (FY26) | 50,000 | 3.00% |
| Total / average | 150,000 | 3.00% |

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 Consolidated Statement of Profit or Loss and Other Comprehensive Income. Information on borrowings and the maturity profile of borrowings (including interest) is provided in Note 18. GDI purchased additional interest rate caps post 30 June 2023, refer to Note 37 for further information.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

ii. Sensitivity

At balance date, if interest rates on GDI's Principal Facility for all relevant time periods had changed by +/- 100 basis points (1%) for the year ended 30 June 2023 and 30 June 2022 with all other variables held constant, profit would have been higher/(lower) as shown below:

| | +1% | | -1% | | +1% | | -1% | |
|---|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|-----------------------|-------------------------|
| | GDI 2023 \$'000 | Trust 2023 \$'000 | GDI 2023 \$'000 | Trust 2023 \$'000 | GDI 2022 \$'000 | Trust 2022 \$'000 | GDI 2022 \$'000 | Trust 2022 \$'000 |
| Sensitivity to interest rates | | | | | | | | |
| Increase/(decrease) to interest income | 96 | 192 | (96) | (192) | 93 | 93 | (93) | (93) |
| (Increase)/decrease to interest expense | (3,451) | (3,451) | 3,451 | 3,451 | (2,468) | (2,468) | 2,468 | 2,468 |
| Increase/(decrease) to valuation of interest rate derivatives | 4,675 | 4,675 | (4,675) | (4,675) | 5,282 | 5,282 | (478) | (478) |
| Total | 1,320 | 1,416 | (1,320) | (1,416) | 2,907 | 2,907 | 1,897 | 1,897 |

NOTE 30 – 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.

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NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

b) Financial instruments

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

| | 30 June 2023 | | 30 June 2022 | |
|--|---------------------------|----------------------|---------------------------|----------------------|
| | Carrying Amount \$'000 | Fair Value \$'000 | Carrying Amount \$'000 | Fair Value \$'000 |
| Financial assets at amortised cost | | | | |
| Cash and cash equivalents | 8,228 | 8,228 | 12,570 | 12,570 |
| Trade and other receivables | 2,221 | 2,221 | 4,568 | 4,568 |
| Financial assets at fair value | | | | |
| Derivative financial instruments | 1,869 | 1,869 | 2,471 | 2,471 |
| Total financial assets | 12,318 | 12,318 | 19,609 | 19,609 |
| Financial liabilities at amortised cost | | | | |
| Trade and other payables | 18,344 | 18,344 | 34,147 | 34,147 |
| Provisions | 663 | 663 | 831 | 831 |
| Borrowings | 344,741 | 344,741 | 246,210 | 246,210 |
| Financial liabilities at fair value | | | | |
| Derivative financial instruments | - | - | - | - |
| Total financial liabilities | 363,748 | 363,748 | 281,188 | 281,188 |

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:

| 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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

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 2023 | | | As at 30 June 2022 | | |
|---|--------------------|------------------|---------|--------------------|------------------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements | | | | | | |
| <i>Non-financial assets</i> | | | | | | |
| - Investment properties ¹ | - | 1,051,193 | - | - | 1,009,616 | - |
| Total non-financial assets recognised at fair value on a recurring basis | - | 1,051,193 | - | - | 1,009,616 | - |
| <i>Financial assets/(liabilities)</i> | | | | | | |
| - Interest rate swaps | - | 1,869 | - | - | 2,471 | - |
| Total financial assets/(liabilities) recognised at fair value on a recurring basis | - | 1,869 | - | - | 2,471 | - |

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

| | 30 June 2023 \$'000 | 30 June 2022 \$'000 | Valuation technique | Inputs Used |
|---------------------------------------|------------------------|------------------------|---|--|
| Financial assets/(liabilities) | | | | |
| Interest rate swaps | 1,869 | 2,471 | Income approach using discounted cash flow methodology | BBSY swap rate |
| Non-financial assets | | | | |
| Investment properties ¹ | 1,501,157 | 1,009,616 | 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 |

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:

| 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 |

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. The total includes investment properties held for sale.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 31 – 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 MD, 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 2023, the Board determined that 50.0% 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 one year from the conclusion of the performance period (30 June 2024). The total number of STI performance rights to be issued for 30 June 2023 will be 445,737.

b) LTI performance rights

For the year ended 30 June 2023, GDI intends to offer 2,968,274 performance rights to all staff, with 1,190,478 offered to the MD subject to securityholder approval. The performance conditions that relate to the LTI performance rights for previous years (FY21, FY22) and the year ended 30 June 2023 are summarised below:

| Number of LTI performance rights | | Performance condition |
|----------------------------------|-----------------------|--|
| Relating to previous years | Relating to FY23 year | |
| 1,270,118 | 1,484,137 | Relative performance (stapled security price movement + distributions) versus a peer group |
| 1,270,118 | 742,063 | Total return (NTA growth + distributions) vs benchmark |
| - | 742,074 | Achieving long term strategic objectives as set by the Board |

c) Sign-on bonus

Subject to securityholder approval, the MD will be awarded \$500,000 (1,482,878 in number) of performance rights as a sign-on incentive. These performance rights are subject to a one-year (\$150,000, or 435,287 performance rights) and a two-year (\$350,000, or 1,047,591 performance rights) RTR test as detailed in the table below.

| Financial year ending | Value of rights | Number of rights |
|-----------------------|-----------------|------------------|
| 30 June 2024 | \$150,000 | 435,287 |
| 30 June 2025 | \$350,000 | 1,047,591 |

The commencing period for the two RTR tests is 14 June 2023 and the Comparator Group comprises the same entities that comprise the Comparator Group for the issue of FY23 LTIs.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

d) 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 2023 | | | | |
|-------------------------------|--|--|--|--|--|--|--|--|
| | STI PR | LTI PR | LTI PR | STI PR | LTI PR (sign-on) | LTI PR | LTI PR | LTI PR |
| Performance test | Retention | Relative return | Total return | Retention | Relative return | Relative return | Total return | Strategic objectives |
| Issue size | 884,616 | 1,270,118 | 1,270,118 | 445,737 | 1,482,878 | 1,484,137 | 742,063 | 742,074 |
| Exercise price | \$nil | \$nil | \$nil | \$nil | \$nil | \$nil | \$nil | \$nil |
| Life | 3 years | 3 years | 3 years | 1 years | 1 / 2 years | 3 years | 3 years | 3 years |
| Initial valuation methodology | Black-Scholes option pricing | Binomial option pricing | Black-Scholes Option pricing | Black-Scholes option pricing | Binomial option pricing | Binomial option pricing | Black-Scholes Option pricing | Black-Scholes Option pricing |
| Cost apportioned over (years) | 4 – Year to which the grant relates + vesting period | 4 – Year to which the grant relates + vesting period | 4 – Year to which the grant relates + vesting period | 2 – Year to which the grant relates + vesting period | 4 – Year to which the grant relates + vesting period | 4 – Year to which the grant relates + vesting period | 4 – Year to which the grant relates + vesting period | 4 – Year to which the grant relates + vesting period |
| Expected volatility | N/A | 17% - 54% | N/A | N/A | 19% - 30% | 19% - 30% | N/A | N/A |
| Risk-free interest rate | N/A | 0.5% - 2.0% | N/A | N/A | 4.00% | 4.00% | N/A | N/A |
| Valuation | \$883,751 | \$592,586 | \$1,274,914 | \$287,500 | \$500,000 | \$445,240 | \$478,631 | \$478,631 |

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

e) 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

| | FY20 STI/LTI \$'000 | FY21 STI/LTI \$'000 | FY22 STI/LTI \$'000 | FY23 STI \$'000 | FY23 LTI \$'000 | FY23 SOB \$'000 | Reversal \$'000 | Total \$'000 |
|--------------|---------------------------|---------------------------|---------------------------|-----------------------|-----------------------|-----------------------|--------------------|-----------------|
| 30 June 2023 | | | | | | | | |
| GDI | 230 | 336 | 352 | 191 | 398 | 192 | (1,382) | 317 |
| Trust | 220 | 322 | 336 | 182 | 380 | 183 | (1,323) | 300 |

| | FY19 STI/LTI \$'000 | FY20 STI/LTI \$'000 | FY21 STI/LTI \$'000 | FY22 STI/LTI \$'000 | Total \$'000 |
|--------------|---------------------------|---------------------------|---------------------------|---------------------------|-----------------|
| 30 June 2022 | | | | | |
| GDI | 631 | 595 | 620 | 586 | 2,432 |
| Trust | 604 | 569 | 593 | 560 | 2,326 |

The performance rights expense is recognised as corporate and administration expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. For 30 June 2023, the employee benefits expense includes a \$1,382,000 (Trust \$1,323,000) reversal of previous years' expense of forfeited performance rights.

NOTE 32 – CONTROLLED ENTITIES

| The Company's investment in controlled entities is shown below: | Principal place of business | 2023 | 2022 |
|--|--------------------------------|------|------|
| 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. 29 Pty Limited | Sydney, Australia | 100% | 100% |
| GDI No. 35 Pty Limited | Sydney, Australia | 100% | 100% |
| GDI No. 38 Pty Limited | Sydney, Australia | 100% | 100% |
| GDI No. 38 Asset Pty Limited | Sydney, Australia | 100% | 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% | 100% |
| GDI No. 46 Pty Limited | Sydney, Australia | 100% | 100% |
| GDI No. 47 Pty Limited | Sydney, Australia | 100% | 100% |
| GDI No. 48 Pty Limited | Sydney, Australia | 100% | 100% |
| GDI Carpark Pty Limited | Sydney, Australia | 100% | 100% |
| Amour Morley Pty Limited | Sydney, Australia | 100% | 100% |
| Brass Broun Pty Limited | Sydney, Australia | 100% | 100% |
| Copper Great Eastern Hwy Pty Limited | Sydney, Australia | 100% | 100% |
| Dusk Midland Pty Limited | Sydney, Australia | 100% | 100% |
| Engine Hwy Pty Limited | Sydney, Australia | 100% | 100% |
| First Bellevue Pty Limited | Sydney, Australia | 100% | 100% |
| Garden Eastern Pty Limited | Sydney, Australia | 100% | 100% |
| Hill Great Pty Limited | Sydney, Australia | 100% | 100% |
| Island Albany Pty Limited | Sydney, Australia | 100% | 100% |
| Jungle Maddington Pty Limited | Sydney, Australia | 100% | 100% |
| Kite Leach Pty Limited | Sydney, Australia | 100% | 100% |

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

| | | | |
|------------------------------|-------------------|------|------|
| Lava Myaree Pty Limited | Sydney, Australia | 100% | 100% |
| Moss Thurso Pty Limited | Sydney, Australia | 100% | 100% |
| New Melville Pty Limited | Sydney, Australia | 100% | 100% |
| Orbit Hwy Pty Limited | Sydney, Australia | 100% | 100% |
| Pocket Lancaster Pty Limited | Sydney, Australia | 100% | 100% |
| Quest Wangara Pty Limited | Sydney, Australia | 100% | 100% |

| The Trust's investment in controlled entities is shown below: | Principal place of business | 2023 | 2022 |
|---|-----------------------------|------|------|
| 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. 41 Trust | Sydney, Australia | 100% | 100% |
| GDI No. 42 Office Trust | Sydney, Australia | 44% | 44% |
| GDI No. 44 Trust | Sydney, Australia | 100% | 100% |
| GDI No. 45 Property Trust | Sydney, Australia | 100% | 100% |
| GDI No. 46 Property Trust | Sydney, Australia | 47% | 47% |
| GDI No. 47 Trust | Sydney, Australia | 100% | 100% |
| GDI No. 48 Trust | Sydney, Australia | 100% | 100% |

NOTE 33 – AUDITORS' REMUNERATION

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

| | GDI | | Trust | |
|---|----------------|----------------|----------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Audit services | | | | |
| Auditing or reviewing financial reports | 159 | 149 | 64 | 42 |
| Auditing of controlled entity's AFS Licence | 6 | 5 | 6 | 5 |
| Auditing of controlled entity's compliance plan | 16 | 16 | - | - |
| Total audit services | 181 | 170 | 70 | 47 |
| Other services | | | | |
| Provision of tax advice | 92 | 64 | - | - |
| Total | 273 | 234 | 70 | 47 |

NOTE 34 – BUSINESS COMBINATIONS

30 June 2023

Neither GDI nor the Trust undertook any business combinations during the year ended 30 June 2023.

30 June 2022

Neither GDI nor the Trust undertook any business combinations during the year ended 30 June 2022.

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(c). 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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

NOTE 35 – 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.

| Movements in non-controlling interest | Non-controlling interests | |
|--|----------------------------------|----------------|
| | 2023 | 2022 |
| | \$'000 | \$'000 |
| Opening balance | 759,143 | 741,567 |
| Profit for the period | 19,063 | 68,724 |
| Security-based payments expense | 862 | 2,297 |
| On-market securities buy-back | (2,647) | (7,336) |
| Cash settlement transaction | (380) | (543) |
| Issue and formation costs | - | (3) |
| Equity issued/transferred | - | - |
| Distributions paid/payable | (30,608) | (45,565) |
| Balance as at year end | 745,433 | 759,143 |

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 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 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 in the financial statements, together with the non-controlling interests of GDI No. 46 Property Trust (see below), as non-controlling interests – Unlisted Property Funds.

GDI No. 46 Property Trust

On 31 January 2020, GDI Funds Management Limited arranged an issue of 75.7 million units of GDI No. 46 Property Trust to fund the acquisition of a portfolio of 17 properties occupied by high profile car dealerships and service centres in metropolitan Perth. Following the raising, GDI Property Trust holds 47.19% of units on issue in GDI No. 46 Property Trust, with the other 52.81% units on issue held by unrelated parties and shown in the financial statements, together with the non-controlling interests of GDI No. 42 Office Trust (see above) as non-controlling interests – Unlisted Property Funds.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2023

| | GDI No. 42 Office Trust | | GDI No. 46 Property Trust | | Total Unlisted Property Funds | |
|---|----------------------------|----------------|------------------------------|----------------|----------------------------------|----------------|
| | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 | 2023 \$'000 | 2022 \$'000 |
| Results | | | | | | |
| Profit / (loss) for the period | 627 | 1,650 | 6,197 | 36,454 | 6,824 | 38,103 |
| Total comprehensive profit / (loss) for the period | 627 | 1,650 | 6,197 | 36,454 | 6,824 | 38,103 |
| Financial position | | | | | | |
| Current assets | 580 | 658 | 396 | 807 | 976 | 1,465 |
| Total assets | 51,979 | 52,417 | 137,022 | 137,352 | 189,001 | 189,770 |
| Current liabilities | 84 | 102 | 424 | 392 | 508 | 494 |
| Total liabilities | 10,084 | 10,102 | 30,424 | 30,357 | 40,508 | 40,458 |
| Net assets | 41,895 | 42,316 | 106,598 | 106,996 | 148,493 | 149,312 |
| Contributed equity | 43,885 | 43,885 | 75,575 | 75,575 | 119,460 | 119,460 |
| Retained earnings | (1,990) | (1,569) | 31,023 | 31,421 | 29,033 | 29,851 |
| Total equity | 41,895 | 42,316 | 106,598 | 106,996 | 148,493 | 149,312 |

NOTE 36 – CONTINGENT LIABILITIES

GDI and Trust had no contingent liabilities as at 30 June 2023 and as at 30 June 2022.

NOTE 37 – EVENTS AFTER THE REPORTING DATE

Post balance sheet GDI acquired additional interest rate protection on another \$150.0 million of debt at BBSY of no greater than 4.25% until 31 December 2023, a further \$200.0 million of debt at BBSY of no greater than 4.25% until 31 December 2024 and \$100.0 million of debt at BBSY of no greater than 4.25% until 30 June 2025.

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 2023**

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 35 to 86 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 2023 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 21st day of August 2023



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

Report on the Financial Report

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 2023, 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:

- (i) giving a true and fair view of GDI Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for 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 for the year ended 30 June 2023. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but 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

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|--|--|
| <p>Carrying value of investment properties <i>Refer to Note 10 Investment properties, Note 1 (aa) Critical accounting estimates and assumptions</i></p> <p>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.</p> <p>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.</p> <p>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 at reporting date.</p> <p>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.</p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • We 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 lease income, outgoings and incentives adopted in valuing the investment properties including any future uncertainty as to the impact on the carrying value of investment properties. • We 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 ensured appropriate accounting treatments and disclosures were adopted. • We 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. • We reviewed and assessed qualitative and quantitative disclosures made in the financial statements. |

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

| Key Audit Matter | How Our Audit Addressed the Key Audit Matter |
|---|---|
| <p>Carrying value of intangible assets <i>Refer to Note 13 Intangible assets</i></p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • 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, • We reviewed 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 the 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. |
| <p>Carrying value of borrowings <i>Refer to Note 18 Borrowings</i></p> | <p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> • We reviewed covenant calculations, debt maturity forecasts and plans for future funding. • We reviewed new funding and settlement arrangements entered into by GDI during the year. • 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. |

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

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 2023, 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 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.

Auditor's Responsibilities 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.

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

- 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.

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 communication with the directors, we determined those matters that were of most significant in the audit of the financial report for the current period and are therefore the key audit matters. We have described these matters in our auditor's report unless laws or regulations precludes public disclosure about the matter, or when in extremely rare circumstances, we determined 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 the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of GDI Property Group Limited for the year ended 30 June 2023 complies with s 300A of the *Corporations Act 2001*.

HALL CHADWICK  (NSW)

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

Responsibilities

The directors of the company 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 (NSW)
Level 40, 2 Park Street
Sydney, NSW 2000



DREW TOWNSEND
Partner

Dated: 21 August 2023