GDI
PROPERTY GROUP

Annual Report
2017

Contents

Chairman's Letter

29 September 2017

On behalf of the Board of GDI Property Group, it is with great pleasure that I present our fourth Annual Report.

The financial year ended 30 June 2017 was another outstanding success. However, I will let our Managing Director, Mr Steve Gillard, talk about our operational successes.

Instead, I would like to focus attention on what are some of the Board's main responsibilities, that is, overseeing a strategy that stays true to course, ensuring we have best practice in relation to risk management and E.S.G, or environmental, social and governance matters, and developing succession plans for both the Board and management. I will address these in turn.

GDI Property Group's strategy

I want to take you back to our Prospectus and Product Disclosure Statement (Offer Document) dated 25 November 2013 in relation to the Initial Public Offer (IPO) of securities. This 290 page door stopper had all you needed to know plus much more about an investment in GDI Property Group. There was a lot of material in the Offer Document, but what really mattered was the description of GDI Property Group's strategy. I will repeat what was written then:

"GDI Property Group will be an owner of well-located CBD office properties diversified by geography, tenant and lease terms. Properties are intended to be acquired below management's opinion of value, having regard to replacement cost, with multiple exit options and which have typically been under managed or undercapitalised. Income is derived by receipt of net rental income from the properties. Over time, it is the intention to increase net rental income and capital values via asset management including:

- Improved leasing and tenant diversity;
- Selective capital improvements;
- Management of outgoings; and
- Incremental revenue initiatives including signage rent, additional car park income, storage, communication and other means.

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

Of the four properties owned by GDI Property Group at the time of the IPO, only one remains, Mill Green, in Perth. 233 Castlereagh Street, Sydney, was sold to a developer who has subsequently lodged a Development Application to demolish it and rebuild residential apartments on the site. When we acquired this property, we considered a sale for residential conversion a real possibility, but so too on an as is basis. Multiple exit options allowed us to maximise this property's value.

25 Grenfell Street, Adelaide, was sold this year. During the period of ownership it was our engine room, a well tenanted property in a small, in terms of Australian CBDs, market. With some short term vacancies emerging, it no longer met our investment objectives, and when we received a compelling offer for the property we decided to sell it.

We bought 307 Queen Street, Brisbane, from the proceeds of the IPO. We bought it because it was below our opinion of value, having regard to replacement cost, and we thought it had been under managed and undercapitalised. At the time the occupancy was only about 60% of net lettable area (NLA). We spent money on capex and leasing, got the occupancy to 85% of NLA and then sold it as we thought the value had been maximised.

Since our IPO we have also bought two more assets for our balance sheet, 66 Goulburn Street, Sydney for $136.0 million in July 2014 and 50 Cavill Avenue, Surfers Paradise, for $48.8 million in February, 2016. Both of these assets had leasing and capex opportunities, and we delivered on improving the appeal of each property, increasing their occupancy and rental rates and therefore significantly increasing their value. We have recently sold 66 Goulburn Street, Sydney, for $252.0 million, which after selling costs and settlement adjustments will net us $92.0 million more than what we paid for it. 50 Cavill Avenue, Surfers Paradise, is now valued at $77.6 million, $28.8 million more than we paid for it.

These transactions have delivered an Absolute Total Return since IPO of 14.73%p.a., an outstanding result for a real estate investment trust. Not only have we delivered this return on paper, we have crystallised it by selling properties and redeploying the capital to other opportunities. Most recently we have decided to deploy the proceeds from the sale of 66 Goulburn Street, Sydney, to buying Westralia Square, 141 St Georges Terrace, Perth. We are very excited about the opportunity Westralia Square offers once we settle it on 27 October 2017.

We would also redeploy some of this capital to funds management initiatives, be it securing assets or buying businesses. Growing the funds under management in the Funds Business back to pre IPO levels was the second strategy at the time of the IPO. We have not been able to achieve this, not because of a lack of investor demand, but rather a lack of opportunity. Our crystallised funds have delivered an average IRR in excess of 20%, and we don't want to dilute this, our track record or our reputation by doing deals in the Funds Business that are done primarily to grow the funds under management.

I am extremely comfortable that our strategy in the Property Division and the Funds Business is going to be successful through cycle, that we have the right team to deliver on our strategy, and that our patience will be rewarded.

Risk management and ESG

Risk management is a priority for GDI Property Group. It is front of mind for all of us, but not as an impediment to doing business. Instead, it shapes the business we do. The assets we buy have opportunities to add value, but by buying well located buildings with easily divisible floors plates, we are mitigating leasing risks. We have always had a conservative capital structure, with our loan to value ratio on our principal facility being only 8% at 30 June 2017 and the gearing in our funds at what we consider conservative levels. We have mitigated the 'key man' risk associated with Steve Gillard by investing in our entire team and giving them responsibility in the business. These are all operational risks that can impair a business' entrepreneurial endeavour. For us, we think we've been entrepreneurial by embracing these risks and managing them to deliver superior outcomes for our securityholders.

Our 'non-operational' risks, things like compliance with our licenses, compliance with regulations and the like are managed by utilising an automated, on line risk management system, which allows the team to focus on the business rather than the process.

I am particularly proud of our ESG practices. We believe that creating more sustainable, environmentally friendly, office buildings is fundamental to our business. It is good for our tenants, it is good for the environment, and it is good for our bottom line. GDI Property Group has been a market leader in sustainability since 2008 and was one of the first to receive Government grants to improve the sustainability of our buildings.

GDI Property Group has embraced the "Green Space" by piloting and implementing an energy performance program designed to measure, assess and improve the utility (energy & water) performance of all of the properties in our management.

This program includes utility audits, NABERS ratings, energy procurement improvements, and a formal utility monitoring program. Every asset manager at GDI is effectively a head of sustainability, as improving the sustainability of our office buildings is a core principle.

Our track record is second to none. When we acquired Mill Green Complex, Perth, 197 St Georges Terrace had a NABERS Energy rating of 3 stars. After a refurbishment and releasing program, we achieved a 5.0 Star Energy rating. 197 St Georges Terrace, Perth also has a 4.5 star NABERS Water rating and a 5 star NABERS Indoor Energy rating as at November 2016. This property was also recently awarded the PCWA Commercial Property Award for Ecologically Sustainable Development (ESD) – Premium/A Grade Asset Category.

Governance is also a matter that we take very seriously at GDI Property Group. We have lodged our Corporate Governance Statement with this Annual Report; it is also on our website and I encourage you to read it.

Succession planning

Succession planning at GDI Property Group happens at all levels, even though the Company has only 11 staff and four independent directors. We train our staff, not only by funding additional education courses, but by also giving them on the job experiences they would be unlikely to receive elsewhere. We are confident that our management team contains individuals that are exceptionally well qualified to lead, and that our other staff can step up to the management team. At a Board level, we have successfully replaced Mr Tony Veale, a GDI Property Group founder and major securityholder, with Mr John Tuxworth, whose appointment the Annual General Meeting will be asked to ratify. John has stepped seamlessly on to the Board and has brought with him a fresh approach to the Board meetings; he has immediately added value.

We have also announced the impending retirement of Mr Les Towell, a director since 2005 who helped shape what GDI Property Group has become today. Subject to securityholder approval, he will be replaced by Mr Giles Woodgate, a Chartered Accountant with his own practice who will strengthen our capabilities, particularly as a member of the Audit, Risk and Compliance Committee.

The financial year ended 30 June 2017 was another highly successful one. The Group's excellent performance is a result of the hard work of Steve Gillard and his team of only 11 people. It is through their efforts that we have been able to achieve such wonderful results and create such a strong foundation for the future.

I would also like to thank the Board for their support and commitment over the year and look forward to continuing to work with my fellow directors over the next 12 months.

Finally, as mentioned earlier, during the year Mr Tony Veale, a founder of GDI Property Group, resigned from the Board. Tony helped establish GDI Property Group in 1993 and on behalf of the Board and all at GDI Property Group we thank Tony for his magnificent contribution and support over the last 24 years.

Yours faithfully

Graham Kelly
Chairman

Managing Director's Letter

29 September 2017

I am extremely proud to present our fourth Annual Report for the year ended 30 June 2017 (FY17). FY17 was another outstanding year, the fourth since our listing. Key highlights for the year included:

- Crystallising capital appreciation by way of asset sales, with 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane, sold for a combined $24.5 million more than the previous independent valuations
- The sale of 80 George Street, Parramatta, (GDI No. 40 Office Trust) for $51.9 million, resulting in an investor Internal Rate of Return of over 19%p.a. and disposal and performance fees to GDI Property Group of $1.6 million
- Positive leasing momentum, particularly at 66 Goulburn Street, Sydney, 50 Cavill Avenue, Surfers Paradise and 5 Mill Street, Perth
- Net Tangible Asset (NTA) per security of $1.12, up $0.11 per security from the NTA at 30 June 2016
- An absolute total return of 18.56% for the year and an annualised absolute total return since IPO of 14.73%
- Total securityholder return of 24.58%
- Funds From Operations (FFO) of $45.5 million and FFO per security of 8.46 cents per security
- Distribution per security for the year of 7.75 cents, in line with guidance

Operational successes

Property division

Operational highlights during the year included the disposals of 25 Grenfell Street, Adelaide, for an effective sales price of $124.0 million, $10.0 million more than its last independent valuation, and 307 Queen Street, Brisbane, for an effective sales price of $141.0 million, $14.5 million more than its previous independent valuation.

Other highlights included the leasing successes at 66 Goulburn Street, Sydney, 50 Cavill Avenue, Surfers Paradise and 5 Mill Street, Perth, where occupancy now sits at 98%, 90% and 98% respectively.

This leasing success was one of the primary drivers of significantly increased valuations for 66 Goulburn Street, Sydney (+$35.5 million) and 50 Cavill Avenue, Surfers Paradise (+$22.6 million), and for the small increase in valuation for 5 Mill Street, Perth (+$0.5 million) in an otherwise falling market. These sales and valuations have resulted in a significantly higher NTA per security of $1.12 (+$0.11).

Funds Management division

The Funds Management division had another extremely successful year, notwithstanding GDI Property Group did not launch any new funds. The highlight for the year was undoubtedly the sale of 80 George Street, Parramatta, (GDI No. 40 Office Trust) for $51.9 million, a 34% premium to the acquisition price only 18 months earlier. Investors received an IRR of over 19% and GDI Property Group received disposal and performance fees of $1.6 million.

Total Funds Management division FFO increased to $6.44 million, with GDI Property Group benefitting from the distributions it receives on its 43.68% holding in GDI No. 42 Office Trust. Pleasingly, with valuation increases for 223 – 237 Liverpool Road, Ashfield (+$7.0 million) and 235 Stanley Place, Townsville (+$3.5 million), the value of GDI Property Group's units also increased (+$4.6 million).

Strong balance sheet

Following the settlements of 25 Grenfell Street, Adelaide, and 307 Queen Street, Brisbane, GDI Property Group reduced its principal facility by $240.5 million to $49.4 million, a loan to value ratio of 8.0%. Being in such a strong financial position enabled GDI Property Group to instigate an on-market buyback of up to 5% of its securities on issue. As at 30 June 2017, GDI Property Group had acquired approximately 1.1 million securities at an average price of $0.995.

Post balance sheet events

On 17 August 2017, GDI Property Group announced that it had exchanged contracts to sell 66 Goulburn Street, Sydney, for $252.0 million, which after settlement adjustments and other selling costs will net GDI Property Group approximately $228.0 million, a $92.0 million premium over the July 2014 acquisition price of $136.0 million and a $5.0 million premium to the 30 June 2017 independent valuation of $223.0 million. GDI Property Group acquired 66 Goulburn Street, Sydney in July 2014, and since then has leased, renewed or agreed to lease all of the 22,925 sqm building. Settlement is expected to occur on or around 19 October 2017.

On 18 August 2017, GDI Property Group announced that it had exchanged conditional contracts to acquire 6 Sunray Drive, Innaloo, Perth, for $143.5 million. 6 Sunray Drive comprises over 30,000sqm of NLA and is home to Perth's only IKEA store, with the property also containing four peripheral sites leased to other retailers. On satisfaction of the conditions, GDI Property Group intends to establish GDI No. 43 Property Trust and seek to raise approximately $96.0 million. GDI Property Group may retain a co-investment stake in GDI No. 43 Property Trust.

On 29 August 2017, GDI Property Group announced it has exchanged contracts to acquire Westralia Square, 141 St Georges Terrace, Perth for $216.25 million, with settlement to occur on or around 27 October 2017, subject to satisfaction of customary conditions. Westralia Square is an A grade property located in a core Perth CBD location on St Georges Terrace, adjacent to Brookfield Place. The property comprises approximately 32,635sqm of net lettable area over 18 levels of office space with an average floor plate of 1,800sqm, above a multilevel car park providing a total of 537 car bays on a mix of tenant and public parking levels. It was constructed in 1991 and the property currently has a 5.0 star NABERS energy rating. Westralia Square is currently approximately 93.5% occupied (by NLA) with a weighted average lease expiry (WALE) of 2.5 years (by total NLA). The property is predominantly occupied by State Government departments with lease expiries in the first half of 2020.

Westralia Square has all the things we look for in an office building. It is well located, has good natural, easily divisible floor plates, is being acquired for considerably less than replacement cost and offers an opportunity to add significant value through refurbishment and releasing. With the State Government leases expiring in the first half of 2020, we expect to be releasing in to a much stronger leasing market and following a major capex program we anticipate high appeal for the property given its central location, excellent river views, large floor plates, significant parking and connectivity to public transport. We believe this is another opportunity like 66 Goulburn Street, Sydney, where we can add significant value for our securityholders.

Guidance for FY18

GDI Property Group has not provided guidance for FY18, but we have advised:

- FFO per security is likely to be lower than FY17; and
- it is forecast that distributions will be at least 7.75 cents per security, noting:
  - the distribution will be partly funded from the proceeds of sale of 66 Goulburn Street, Sydney; and
  - part of the distribution may be structured as a return of capital, subject to any securityholder and regulatory approvals

Conclusion

I would personally like to thank Graham and all the Board for their ongoing support and guidance. The management team and I have a healthy working relationship with the Board that helps us to deliver on our strategy.

On behalf of all the team at GDI Property Group, I truly thank you for your support and we look forward to a bright future together.

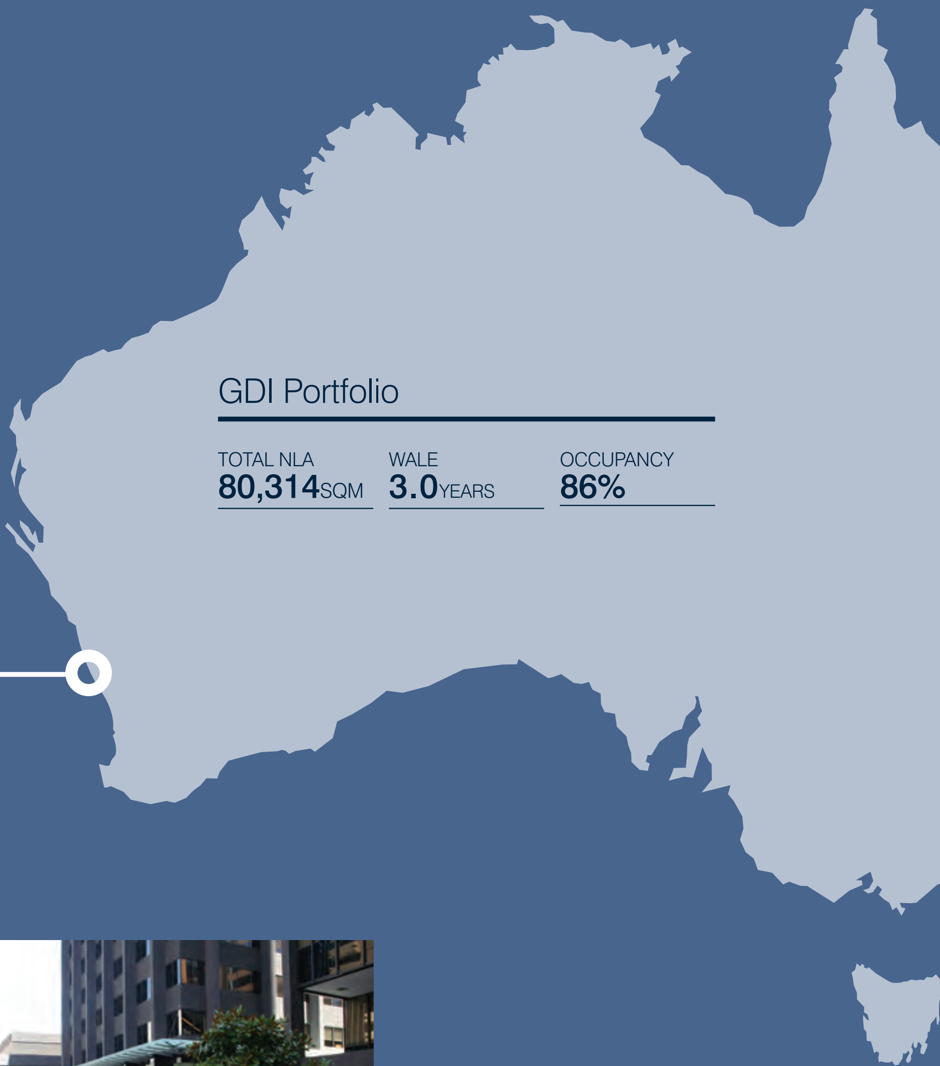
Yours faithfully

Steve Gillard
Managing Director

Property Portfolio

Mill Green Complex, Perth

VALUATION **$320.00**MILLION	WALE **3.0**YEARS
TOTAL NLA **40,149**SQM	OCCUPANCY **79**%
VALUE PER SQM **$7,970**	



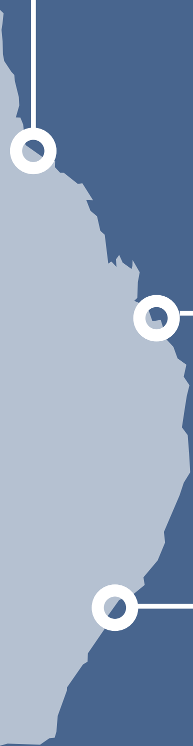
GDI Portfolio

TOTAL NLA	WALE	OCCUPANCY
80,314SQM	**3.0**YEARS	**86%**

Notes:
Current as at 1st August 2017
Valuations based on last independent valuation
and all figures include signed heads of agreement.
WALE is by total NLA

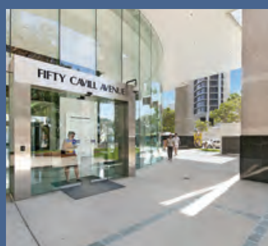
235 Stanley Place, Townsville

VALUATION **$56.00**MILLION	WALE **3.8**YEARS
TOTAL NLA **13,786**SQM	OCCUPANCY **89**%
VALUE PER SQM **$4,062**	



50 Cavill Avenue, Surfers Paradise

VALUATION **$77.60**MILLION	WALE **4.6**YEARS
TOTAL NLA **16,661**SQM	OCCUPANCY **90**%
VALUE PER SQM **$4,658**	



223 – 237 Liverpool Road, Ashfield

VALUATION **$43.00**MILLION	WALE **3.5**YEARS
TOTAL NLA **9,719**SQM	OCCUPANCY **100**%
VALUE PER SQM **$4,425**	

Management Team

Mr Steven Gillard
Managing Director

Mr Gillard has had over 30 years' experience in property related industries and is a Fellow Member of the Australian Property Institute (FAPI). Mr Gillard has spent over 11 years working for major agency firms in property management, subsequently specialising in investment sales and development site sales for Colliers International and DTZ.

In 1991, Mr Gillard moved to the financial markets where he spent seven years as a senior analyst for international stockbroking firms, specifically in the property and tourism sectors.

Mr Gillard completed many major property and tourism related capital raisings during this period. For the next seven years Mr Gillard advised ASX and unlisted companies on the acquisition and sale of property and related businesses. Since Mr Gillard joined GDI group in 2005, assets under management has grown from $70 million to $700 million.

Mr David Williams
Chief Financial Officer and Joint Company Secretary

Mr Williams has 20 years' experience in the accounting and financial services industry with major accounting firms, commercial banks and international investment banks. Mr Williams joined GDI group in early 2013 as a consultant, and from the time GDI Property Group listed was formally appointed as Chief Financial Officer and joint company secretary.

Mr John Garland
Head of Property

Mr Garland has over 25 years' experience in the property industry including five years with GDI group. Prior to this, Mr Garland was general manager of a private property investment company focusing primarily on value-add style commercial and industrial property investments

Mr Paul Malek
Asset Management and Joint Company Secretary

Mr Malek joined GDI group in 2011. Mr Malek has over 26 years' experience in the financial services industry both with bank and non-bank financial institutions specialising in funding of commercial real estate with both private and institutional clients.

Mr Greg Marr
Head of Unlisted Funds

Mr Marr has 27 years' experience in the property industry, initially in agency and then in senior management roles within Dexus and The GPT Group where he focussed on capital transactions, asset and investment management. He was most recently Managing Director and Head of Capital Markets for DTZ, a global corporate real estate services provider.

Board and Directors

Mr Graham Kelly
Chairman

Mr Kelly is a professional non-executive director with over 40 years' experience in academic life, government service, the diplomatic service, private legal practice, and business management. He has had extensive board experience with numerous listed entities. He was appointed as chairman in October 2013.

Mr Steven Gillard
Managing Director

See previous page

Ms Gina Anderson
Independent Non-Executive Director

Ms Anderson is a senior professional with diverse experience in an ASX Top 10 public company (Westpac), large private company (St Hilliers) and non-profit organisation (Philanthropy Australia), having held chief executive, corporate affairs, stakeholder engagement, communications, project management and human resources roles. Ms Anderson was appointed as a director in October 2013.

Mr Les Towell
Independent Non-Executive Director

Mr Towell has been a director of GDI Funds Management Limited (in its personal capacity and as trustee of any trust) since 2003, and has been a director of GDI group since 1998. He has over 45 years' experience in the financial services industry; specialising in compliance, trustee services and private company directorships.

Mr John Tuxworth
Independent 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.

Corporate Governance Statement

GDI Property Group through its Board, Board Committees and executive management team believes sound corporate governance practices enhance stakeholder outcomes. GDI Property Group is therefore committed to meeting the expectations of all stakeholders in relation to corporate governance. GDI Property Group has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the year.

The Corporate Governance Statement is current as at 30 June 2017. It was approved by the Board and is available on GDI Property Group's website at www.gdi.com.au.

Directors' Report

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 2017. Shares in the Company are stapled to units in the Trust to form GDI Property Group.

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 Property Group. GDI Property Group commenced trading on the ASX on 17 December 2013.

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

1. Operating and financial review

1.1 About GDI Property Group

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

The Trust is internally managed and owns a portfolio of office properties across Australia ("Portfolio"). As at 30 June 2017, the Portfolio comprised three wholly owned properties in CBD locations with a combined value of $620.6 million:

- Mill Green Complex, which comprises three Buildings: 197 St Georges Terrace, 5 Mill Street and 1 Mill Street, Perth;
- 66 Goulburn Street, Sydney; and
- 50 Cavill Avenue, Surfers Paradise.

The Company owns an established funds business ("Funds Business") which, in addition to managing the Trust, manages unlisted and unregistered managed investment schemes with Assets Under Management ("AUM") of approximately $323.4 million.

In addition to its wholly owned Portfolio, the Trust may also hold stakes in the unlisted and unregistered managed investment schemes managed by the Funds Business. As at 30 June 2017, GDI Property Trust owns 43.68% of GDI No. 42 Office Trust. GDI No. 42 Office Trust owns two assets with a combined book value of $99.0 million.

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

1.2 Strategy

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

GDI Property Group's strategy is to generate high risk adjusted total returns (distributions plus net tangible asset growth) by:

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

GDI Property Group believes that this active strategy is unique in the Australian REIT market.

Property

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

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

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

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

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

Funds management

The Company, through wholly owned subsidiaries, manages six unlisted, unregistered managed investment schemes with total AUM of $323.4 million. The Company has an investor base of over a 1,000 high net worth investors, many of whom have a history of repeat investment.

The Funds Business generates income by way of:

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

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

1.3 Review of operations

GDI Property Group results summary

The Board monitors a range of financial information and operating performance indicators to measure performance over time. The Board uses several measures to monitor the success of GDI Property Group's overall strategy, most importantly Funds From Operations ("FFO") and Adjusted Funds From Operations ("AFFO") performance versus budgets and the Group's total return, calculated as the movement in NTA plus distributions. 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. GDI Property Group measures its absolute total return by the movement in net tangible asset backing per security plus distributions.

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

	Group	
	2017	2016
	$'000	$'000
Total comprehensive income for the year	107,316	47,701
Portfolio acquisition and other transaction costs	407	8,988
Contribution resulting from consolidation of GDI No. 42 Office Trust	(5,864)	(149)
Distributions / funds management fees received from GDI No. 42 Office Trust	2,862	892
Cash received from guarantees	4,091	2,171
Straight lining adjustments	(1,510)	(1,390)
Amortisation and depreciation	8,561	6,113
Net fair value gain on investment property	(69,647)	(16,539)
Net fair value gain on interest rate swaps	(1,885)	(390)
Gain on termination of interest rate swaps	(35)	-
Loss on non-current asset held for sale	12	1,233
Other FFO adjustments	1,229	520
Funds From Operation	45,536	49,147

Operating segment results

Individual operating segment results are provided below:

	FY17 $'000	FY16 $'000
Property Division FFO[1]	53,715	60,309
Funds Management FFO[1]	6,438	4,280
Other	59	52
FFO pre corporate, administration and net interest	60,212	64,641
Less:		
Net interest expense	(7,816)	(8,892)
Corporate and administration expenses	(7,205)	(6,354)
Income tax (expense) / benefit	345	(248)
Total FFO	45,536	49,147

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

Property

During the financial year, GDI Property Group sold two of its five wholly owned properties, 25 Grenfell Street, Adelaide (on 5th January 2017) and 307 Queen Street, Brisbane (on 31st January 2017). 25 Grenfell Street, Adelaide, was sold for $125.1 million, netting approximately $124.0 million after selling and other costs, a $10.0 million premium to its last independent valuation of $114.0 million. 25 Grenfell Street, Adelaide, was purchased in 2009 by the then private GDI group for $76.0 million. The Property was one of four that was owned by GDI Property Group on listing in December 2013, with a then valuation of $109.0 million.

307 Queen Street, Brisbane, was sold for $142.2 million, netting approximately $141.0 million after selling and other costs, compared to the property's last independent valuation of $126.5 million. GDI Property Group purchased 307 Queen Street, Brisbane, in December 2013 for $113.8 million on a like for like basis. At the time the property had occupancy of approximately 60% of net lettable area (NLA) and following an extensive refurbishment since taking control GDI Property Group was able to increase occupancy to over 85% of NLA.

Primarily as a result of these two sales, the Property Division delivered lower FFO of $53.7 million (FY16: $60.3 million) (pre corporate, administration and interest expenses and interest income), from the previous year. The impact of these asset sales was partially offset by the full year contribution from 50 Cavill Avenue, Surfers Paradise, which was acquired in February 2016. Importantly GDI Property Group does not include any profit or loss on sale of a property in its FFO or AFFO.

GDI Property Group's portfolio had a number of material lease expiries in FY17, most notably 14,300sqm at 66 Goulburn Street, Sydney (August 2016), which together with existing vacancies at 1 Mill Street, Perth, and the recently acquired 50 Cavill Avenue, Surfers Paradise, meant that the focus of FY17 was leasing, with GDI Property Group achieving some outstanding results. At 66 Goulburn Street, Sydney, three of the tenants with FY17 expiries renewed (3,900sqm), while Consolidated Media Holdings Limited vacated its 10,432sqm in August 2016. GDI Property Group has had excellent success at releasing this space, with all but 483sqm[1] leased or subject to agreed terms. At 50 Cavill Avenue, Surfers Paradise, occupancy has increased to 90%[1], up from 62%[1] at 30 June 2016. This leasing success at 50 Cavill Avenue, Surfers Paradise, has been a result of the capital expenditure program with the aim of recreating the Gold Coast's pre-eminent office building.

At Mill Green, Perth, due to a 1,670sqm expiry in May in 197 St Georges Terrace, occupancy has decreased slightly to 79%[1] across the three properties, down from 81% at 30 June 2016. Pleasingly, occupancy in 5 Mill Street, Perth, the 'middle' asset in the three asset complex, has increased to 98% with only one suite remaining vacant. 1 Mill Street, Perth, the smallest of the three assets in the complex, remains vacant.

GDI Property Group also owns 43.68% of the units on issue of GDI No. 42 Office Trust, which owns 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville. Although 235 Stanley Street, Townsville, benefits from a two year rent guarantee, underlying occupancy increased during the year to 88% from 76% at 30 June 2016, with continued interest in the balance of the space. 223 – 237 Liverpool Road, Ashfield, continues to be fully occupied by the New South Wales government.

GDI Property Group's property portfolio, including these two assets held by GDI No. 42 Office Trust, is valued at $719.6 million. During the year, all assets were independently revalued at least once either as at 31 December 2016, as at 30 June 2017, or both, resulting in an increase in the valuations over the year of $62.6 million. The significant revaluations of 66 Goulburn Street, Sydney (+$35.5 million) and 50 Cavill Avenue, Surfers Paradise (+$22.6 million), was partly offset by a decrease in the value of Mill Green, Perth (-$6.0 million). Both assets in GDI No. 42 Office Trust were revalued to a combined total of $99.0 million, an increase of $10.5 million from the combined acquisition price of $88.5 million.

	Group		
	As at 30 June 2017	As at 30 June 2016	Variance
	$'000	$'000	%
Occupancy[1,2,3]	88.2%	79.3%	9%
Weighted average lease expiry[1,2,3]	3.6 years	4.7 years	1.7 years
Weighted average capitalisation rate[2,4]	7.32%	7.55%	(0.11%)

1. As at 1 August 2017, including signed Heads of Agreement
2. Includes the assets held by GDI No. 42 Office Trust
3. Based on NLA
4. Weighted average by property valuation.

Funds management

GDI Property Group's funds management business has a 24 year track record of successfully managing unlisted, unregistered managed investment schemes. Over that time period GDI Property Group 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'). GDI Property Group's successful track record is partly a result of its disciplined approach to acquisition opportunities and given where capital markets are pricing assets, GDI Property Group did not acquire any assets for its funds management business in FY17, nor did it establish any new funds.

The highlight of the year was the sale of 80 George Street, Parramatta for $51.88 million, with settlement occurring in January 2017. 80 George Street, Parramatta was acquired in June 2015 and the sale price reflected a 34% gross premium to the acquisition price of $38.70 million. Investors in GDI No. 40 Office Trust received an IRR on their equity invested of over 19%, with GDI Property Group also generating $1.6 million of disposal and performance fees.

When GDI Property Group acquired 80 George Street, Parramatta, it immediately commenced a refurbishment program, including upgrading the foyer and painting the exterior. Lift lobbies were also upgraded as they became available. On the back of this refurbishment program, GDI Property Group was able to drive net rents between $50 and $95 per sqm higher, thereby significantly increasing both the passing income and the adopted market rent of the property. GDI Property Group also successfully negotiated an extension of Westpac Banking Corporation's lease through to 30 September 2020, increasing the weighted average lease expiry to over 4 years as at 30 June 2016 from 2.9 years at acquisition.

The Funds Business segment delivered FFO of $6.4 million, significantly higher than the $4.3 million delivered in FY16. A large contributor to this is GDI No. 42 Office Trust, which is consolidated for statutory accounting purposes, but for FFO purposes GDI Property Group recognises the funds management fees generated on the 56.32% of the units it doesn't own ($0.3 million) and the quarterly distributions on the 43.68% it does own ($2.5 million).

During FY17 GDI Investment Management Pty Limited fully impaired the recoverability of $449,000 of performance fees charged to GDI No. 29 GDI Office Fund that remained unpaid at 30 June 2017. As it had not been paid, this performance fee had never been included in GDI Property Group's FFO, and accordingly, the impairment has been written back for FFO purposes.

Net interest expense

GDI Property Group's net interest expense decreased significantly from FY16 primarily due to the lower amount of drawn debt following the settlements of 307 Queen Street, Brisbane and 25 Grenfell Street, Adelaide. As at 30 June 2017, GDI Property Group's principal facility was drawn to $49.4 million, secured by a security pool independently valued at $620.6 million, a loan to value ratio (LVR) of 8%.

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

Unallocated corporate administration expenses

GDI Property Group's operating expenses increased by approximately $0.9 million from the previous financial year, principally due to the issuance of performance rights to employees. As the performance rights are expensed over a four year vesting period (the year of the performance period and the three vesting years), until such time as previous full year issues of performance rights vest or lapse (FY18), the employee benefits expense will increase with each new grant. Other corporate administration expenses remained largely unchanged from FY16.

Capital management

GDI Property Group's balance sheet is in a strong position with a LVR on the principal facility of 8%, below the Board's maximum LVR of 40% and the banks covenant of 50%. Following the settlements in January 2017 of 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane, GDI Property Group reduced the size of its principal facility by $210.0 million and reduced the amount outstanding on the facility by $240.5 million. GDI Property Group's principal facility is now $115.0 million, with drawn debt of $49.4 million and undrawn debt of $65.6 million.

As GDI No. 42 Office Trust is consolidated in to GDI Property Group's accounts, its loan, secured by the two assets in GDI No. 42 Office Trust only, is also shown in the accounts of GDI Property Group. GDI No. 42 Office Trust has drawn debt of $31.0 million, 31% of the independent value of the assets held by GDI No. 42 Office Trust, and undrawn debt of $4.4 million.

This strong financial position enabled GDI Property Group to implement an on-market buyback of its securities which was announced with the release of the half year results in February 2017. During FY17, GDI Property Group bought and cancelled 1,072,635 securities. Securities on issue now total 537,746,463, down from 538,819,098 at 30 June 2016.

GDI Property Group's policy is to hedge at least 50% of its drawn debt. Following the repayment of $240.5 million from the principal facility, GDI Property Group terminated $80.0 million of interest rate swaps at a cost of $1.2 million, leaving $40.0 million hedged until December 2018 (81% hedged). As at 30 June 2017, all the drawn debt of GDI No. 42 Office Trust was subject to floating interest rates.

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
2016 final – paid 31 August 2016	3.875	20,879	-
2017 interim – paid 28 February 2017	3.875	20,879	-
2017 final – declared 15 June 2017	3.875	20,838	-

No distribution reinvestment plan was operated by GDI Property Group.

Significant changes in GDI Property Group's state of affairs

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

1.4 Future prospects

Property

GDI Property Group's Portfolio comprises well located properties, with four sides of natural light and floor plates that are easily divisible. Each property in the Portfolio has leasing opportunities, either through current vacancy or impending expiry, with the largest of these now at Mill Green, Perth. GDI Property Group believes that leasing up the current vacancy and addressing the impending expiries will significantly increase the value of the Portfolio.
The strategy for FY18 for each of the properties in the Portfolio is summarised below:

Asset	Strategy
Mill Green Complex, Perth	• Address the existing vacancy and impending expiries in 197 St Georges Terrace, Perth • Finalise and execute lease agreements for remaining space in 5 Mill Street • Continue to explore leasing opportunities and alternate uses for 1 Mill Street, Perth
66 Goulburn Street, Sydney	• Complete the leasing up of the space vacated by Consolidated Media Holdings Limited • Continue to monitor exit opportunities
50 Cavill Avenue, Surfers Paradise	Complete the refurbishment works and increase occupancy to +/- 95%
235 Stanley Street, Townsville	Complete the leasing up of the vacant space Commence negotiations with current occupiers about lease extensions
223 – 237 Liverpool Road, Ashfield	Commence negotiations with the existing tenant about lease extension options

GDI Property Group has significant capacity to acquire and fund acquisitions by increasing the size of its principal facility. However, particularly in the Eastern states, GDI Property Group considers that the current environment of low interest rates fuelling very tight capitalisation rates is unsustainable, and that in the not too distant future rising capitalisation rates and increasing supply will result in a greater number of acquisition opportunities at more realistic pricing. GDI Property Group continues to see opportunities in both regional locations and in Perth, and continues to monitor these markets closely.

Funds management

GDI Property Group intends to continue to manage the six unlisted, unregistered managed investment schemes. GDI Property Group also intends to establish at least one new unlisted, unregistered managed investment scheme in FY18. Like GDI No. 42 Office Trust, GDI Property Group may hold a co-investment position in any new unlisted, unregistered managed investment schemes it establishes. However, the commentary with regards to asset pricing in the Property segment above also holds true for funds management, and GDI Property Group will not acquire assets for the Funds Business that do not offer what GDI Property Group considers to be an appropriate return for the risks involved.

Guidance

GDI Property Group has a constantly evolving property portfolio, capital structure and funds management business. Given the likelihood of asset disposals and acquisitions, both for GDI Property Trust and the Funds Business, GDI Property Group chooses not to provide earnings guidance. However, GDI Property Group remains committed to at least maintaining its current level of distribution of 7.75 cents per security. As this is likely to be higher than GDI Property Group's FFO and AFFO in FY18, the ability to maintain this is predicated on asset sales and capital recycling.

GDI Property Group will also continue to monitor opportunities to buy back its stock, pursuant to the on market buyback of up to 5% of securities on issue announced at the time of release of its 31 December 2016 results.

1.5 Risks

Risk	Description	Risk mitigation
Property values	There is a risk that the value of GDI Property Group's Portfolio, or individual assets in the Portfolio, may fall.	• GDI Property Group has a policy of obtaining independent valuations for each of its properties at least annually. • GDI Property Group'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.
Re-leasing and vacancy	There is a risk that GDI Property Group 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.	• GDI Property Group's Portfolio has only 8% of NLA subject to leases expiring in FY18. • GDI Property Group'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
Funding	GDI Property Group'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 Property Group.	• GDI Property Group does not intend to raise any additional equity capital during FY18. • GDI Property Group's principal facility is drawn to only $49.4 million, with an LVR of 8% against the value of the principal facility's security pool • GDI Property Group has no debt expiring until October 2018 • GDI Property Group would not seek to acquire a new property unless it was able to obtain funding on favourable terms.
Income from Funds Business	• There is a risk that GDI Property Group might not be able to establish new unlisted funds due to limited investment opportunities, and/or limited availability of investor capital. • GDI Property Group'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 Property Group funds the payment of costs associated with the proposed acquisition of a property by a 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 Property Group.	• GDI Property Group has a track record of establishing new unlisted funds based on the past performance of its unlisted funds • GDI Property Group's investor base consists of approximately 1,000 high net worth investors who have historically had a high level of repeat investment. • GDI Property Group 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 Property Group'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.	• GDI Property Group has a competitive remuneration structure to retain key talent. • Steve Gillard has a significant interest (+5.5%) in GDI Property Group.
Capital expenditure requirements	While GDI Property Group 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	• GDI Property Group and its executives have a long track record of acquiring properties and undertaking due diligence investigations.

	expenditure or other costs will not arise.	
Gearing and breach of covenants	• GDI Property Group's gearing could exceed the maximum level of 40% under the Board's gearing policy from time to time (for example where GDI Property Group uses debt to acquire new properties or the valuation of properties in GDI Property Group falls). • The Debt Facility contains undertakings to maintain certain Covenant LVR and Covenant ICR, and an event of default would occur if GDI Property Group fails to maintain these financial levels.	• GDI Property Group remains well within both its own gearing policy of less than 40% LVR and the covenants imposed on it under its debt facility. • As at 30 June 2017, GDI Property Group has also hedged approximately 81% of its interest rate exposure on its principal facility, mitigating the risks of movements in interest rates.

2. Events subsequent to balance date

On 17 August 2017, GDI Property Group announced that it had exchanged contracts to sell 66 Goulburn Street, Sydney, for \$252.0 million, which after settlement adjustments and other selling costs will net GDI Property Group approximately \$228.0 million, a \$92.0 million premium over the July 2014 acquisition price of \$136.0 million and a \$5.0 million premium to the 30 June 2017 independent valuation of \$223.0 million. Settlement is expected to occur on or around 19 October 2017 and is conditional on Foreign Investment Review Board approval.

On 18 August 2017, GDI Property Group announced that it had exchanged conditional contracts to acquire 6 Sunray Drive, Innaloo, Perth, for \$143.5 million. 6 Sunray Drive comprises over 30,000sqm of NLA and is home to Perth's only IKEA store, with the property also containing four peripheral sites leased to other retailers. On satisfaction of the conditions, GDI Property Group intends to establish GDI No. 43 Property Trust and seek to raise approximately \$96.0 million.

3. Environmental regulation

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

4. Directors and Company Secretary

Directors

Independent Chairman
Mr Graham Kelly

Managing Director
Mr Steve Gillard

Independent Non-executive Directors
Ms Gina Anderson
Mr Les Towell
Mr John Tuxworth

Mr John Tuxworth was appointed to the Board on 20 February 2017.

Mr Tony Veale retired from the Board on 20 February 2017.

Information on Directors

Mr Graham Kelly
Chairman, Independent Non-Executive Director

Mr Kelly is a professional non-executive director with over 40 years' experience in academic life, government service, the diplomatic service, private legal practice, and business management. He has had extensive board experience with numerous listed entities. He was appointed as chairman in November 2013.

Mr Steven Gillard
Managing Director

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

Ms Gina Anderson
Independent Non-Executive Director

Ms Anderson is a senior professional with diverse experience in an ASX Top 10 public company (Westpac), large private company (St Hilliers) and non-profit organisation (Philanthropy Australia), having held chief executive, corporate affairs, stakeholder engagement, communications, project management and human resources roles. Ms Anderson was appointed as a director in November 2013.

Mr Les Towell
Independent Non-Executive Director

Mr Towell has been a director of GDI Funds Management Limited since 2003, and has been a director of GDI group since 1998. He has over 45 years' experience in the financial services industry specialising in compliance, trustee services and private company directorships. He was appointed as a director of the Company in November 2013.

Mr John Tuxworth
Independent Non-Executive Director

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

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
Chair	Graham Kelly		Les Towell		Gina Anderson	
Graham Kelly	8	7	4	4		
Steve Gillard	8	8				
Gina Anderson	8	8			3	3
Les Towell	8	8	4	4	3	3
John Tuxworth[1]	2	2	1	1	1	1
Tony Veale[2]	6	5	3	3	2	1

1. Mr John Tuxworth was appointed to the Board on 20 February 2017.
2. Mr Tony Veale retired from the Board on 20 February 2017.

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**
Graham Kelly	-
Steve Gillard	-
Gina Anderson	-
Les Towell	-
John Tuxworth	-

Company secretary

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

Mr David Williams
Chief Financial Officer and Joint Company Secretary

Mr Williams has over 20 years' experience in the accounting and financial services industry with major accounting firms, commercial banks and international investment banks. Mr Williams joined GDI group in early 2013 as a consultant, and from the time GDI Property Group listed was formally appointed as Chief Financial Officer and joint Company Secretary.

Mr Paul Malek
Asset Management and Joint Company Secretary

Mr Malek joined GDI group in 2011. Mr Malek has over 26 years' experience in the financial services industry both with bank and non-bank financial institutions specialising in funding of commercial real estate with both private and institutional clients.

5. Remuneration report

5.1 Basis of preparation

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

The Remuneration Report for GDI Property Group 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 years' Remuneration Report are detailed in the table below.

Key Management Personnel

Non-Executive Directors		***Appointed***	***Term as a KMP for year***
Graham Kelly	Independent Chairman	5 November 2013	Full year
Les Towell	Independent Director	5 November 2013	Full year
Gina Anderson	Independent Director	5 November 2013	Full year
John Tuxworth[1]	Independent Director	20 February 2017	4 months
Tony Veale[2]	Non independent Director	5 November 2013	8 months
Managing Director			
Steve Gillard[3]		5 November 2013	Full year
Disclosed Executives			
David Williams	Chief Financial Officer, Joint Company Secretary		Full year
John Garland	Head of Property		Full year
Paul Malek	Asset Management, Joint Company Secretary		Full year
Greg Marr	Head of Unlisted Funds		Full year

1. Mr John Tuxworth was appointed to the Board on 20 February 2017
2. Mr Tony Veale retired from the Board 20 February 2017.
3. Mr Gillard was appointed as a Director of GDI Property Group Limited on 5 November 2013 and as Managing Director on Completion of the IPO and related transactions on 16 December 2013.

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:

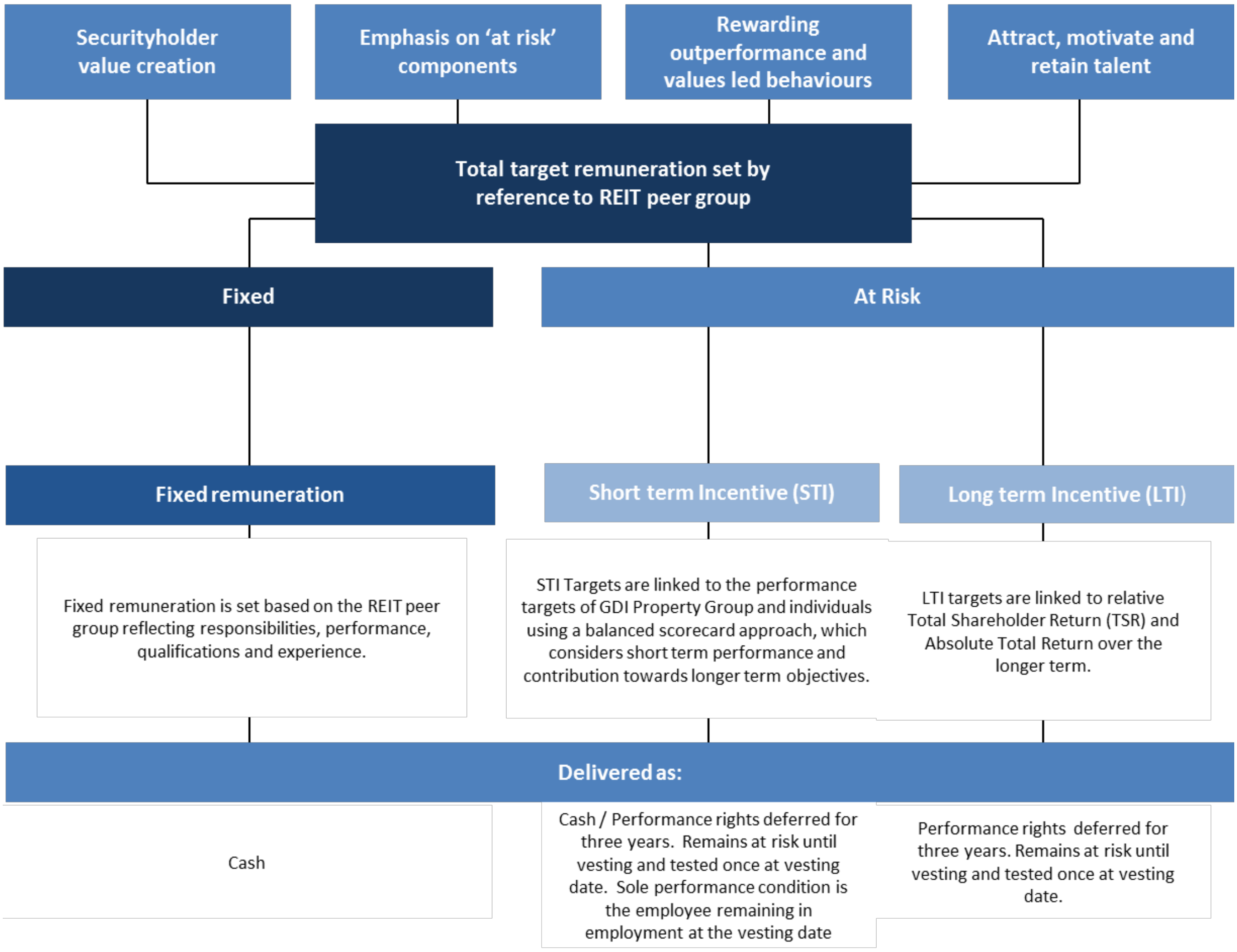
- reviewing and making recommendations to the Board on remuneration and succession matters related to the MD and other Disclosed Executives;
- reviewing and making recommendations to the Board on remuneration relating to Non-Executive Directors;
- overseeing a Board performance evaluation program, which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

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

5.4 Remuneration objectives

The following principles shape GDI Property Group's remuneration strategy:

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



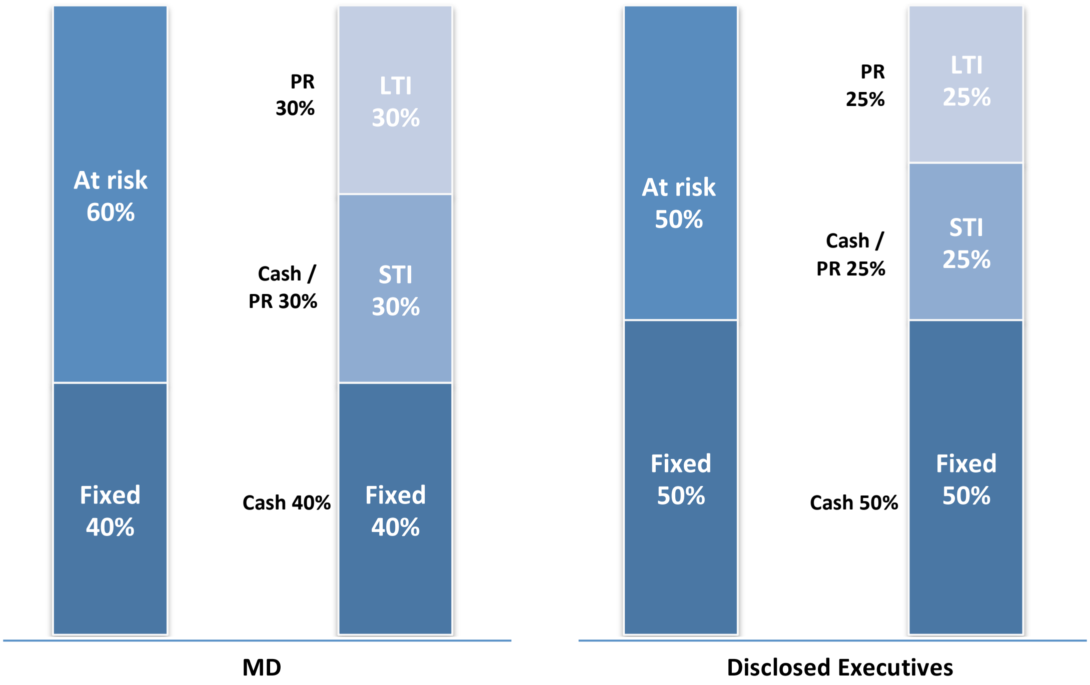
5.5 The composition of remuneration at GDI Property Group

The Board aims to find a balance between:

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

The below chart provides an overview of the target 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. The STI can be granted as either cash or performance rights where the principle performance condition is the employee remaining in employment at the vesting date, three years after the conclusion of the performance year.

Remuneration mix for the Managing Director and Disclosed Executives



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. The STI can be granted as either cash or performance rights where the principle performance condition is the employee remaining in employment at the vesting date, three years after the conclusion of the performance year.

Fixed remuneration

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

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

Mr Paul Malek received a $25,000 increase in his fixed remuneration for the financial year. All other KMP's fixed remuneration remains at the level it was at the time of the Initial Public Offer of securities in 2013.

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 Property Group's strategic objectives, as well as annual goals and workplace behaviours, including leadership and commitment. For the MD and Disclosed Executives, the weighting of these measures will vary to reflect the responsibilities of each role and their individual KPIs set at the commencement of each year. Notwithstanding any individual meeting or exceeding their performance measures, or some thereof, the N&RC may determine to reduce (but not increase) their STI entitlement at its absolute discretion.

Long term incentives (LTI)

The LTI provides an annual opportunity for an equity award deferred for three years that aligns a significant portion of overall remuneration to security value over the longer term. LTI awards will remain at risk until vesting and must meet or exceed a relative Total Securityholder Return (50% of performance rights issued) and /or an Absolute Total Return (the other 50% of performance rights issued). The below table summarises the conditions that will apply to the performance rights granted for to the year ended 30 June 2017. These conditions are identical to those granted relating to the periods ended 30 June 2014, 30 June 2015 and 30 June 2016. Details of the offers of performance rights are disclosed in Section 5.6 and 5.7 of this Remuneration Report.

<table>
<tr><th colspan="3">Arrangements for the year ended 30 June 2017</th></tr>
<tr><td>Type of award</td><td colspan="2">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.</td></tr>
<tr><td>Time restriction</td><td colspan="2">Performance rights will be tested against the performance hurdles at the end of three years. Performance rights that do not vest will be forfeited.</td></tr>
<tr><td>Vesting conditions</td><td colspan="2">Performance rights will be subject to two tests, with half the performance rights subject to one test and the other half subject to the other test.</td></tr>
<tr><td></td><td>50% - Total Securityholder Return (TSR)</td><td>Vesting percentage (for TSR measure)</td></tr>
<tr><td></td><td>Does not reach the 50th percentile of the TSR of the Comparator Group</td><td>0%</td></tr>
<tr><td></td><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></td><td>Reaches or exceeds the 75th percentile of the TSR Comparator Group</td><td>100%</td></tr>
<tr><td></td><td>50% - Absolute Total Return (ATR)</td><td>Vesting percentage (for ATR measure)</td></tr>
<tr><td></td><td>Does not achieve an ATR of 10%</td><td>0%</td></tr>
<tr><td></td><td>Achieves or exceeds an ATR of 10% but does not achieve an ATR of 12%</td><td>50% up to 100% (at 12% ATR) on a straight line basis</td></tr>
<tr><td></td><td>Achieves or exceeds an ATR of 12%</td><td>100%</td></tr>
<tr><td></td><td colspan="2">Definitions</td></tr>
<tr><td></td><td>TSR</td><td>Movement in security price and distributions.

For the year ended 30 June 2017, the commencing security price is based on the 30 June 2017 closing security price of GDI Property Group and its Comparator Group</td></tr>
<tr><td></td><td>ATR</td><td>Movement in NTA and distributions

For the year ended 30 June 2017, the commencing NTA is based on the 30 June 2017 NTA.</td></tr>
<tr><td></td><td>Comparator Group</td><td>Dexus Property Group, GPT Group, Cromwell Property Group, Abacus Property Group, Investa Office Fund, Growthpoint Properties Australia, Australian Unity Office Fund, Centuria Metropolitan REIT, 360 Capital Group, PropertyLink, Charter Hall Group, Centuria Capital</td></tr>
<tr><td>Valuation</td><td colspan="2">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 the grant date</td></tr>
</table>

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 Property Group, 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 and margin lending prohibition

As specified in GDI Property Group's Security Trading Policy and in accordance with the Corporations Act, equity allocated under a GDI Property Group 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.

5.6 Performance and outcomes

5.6.1 GDI Property Group'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	3.54	1.0000	0.0250	0.9100	0.2100	0.2650	29.00%	8.19%	52.20%	14.75%
Since 1 July 2014	3	0.9100	0.1150	0.9300	0.1900	0.2300	37.91%	12.64%	45.16%	15.05%
Since 1 July 2016	1	0.8850	0.1400	1.0100	0.1100	0.0775	24.58%	24.58%	18.56%	18.56%
30 June 2017		1.0250		1.1200						

GDI Property Group considers that the financial measure that most accurately reflects its performance on an annual basis is the ATR test, rather than the often adopted FFO or AFFO test by GDI Property Group's Comparator Group. The nature of GDI Property Group's business means that FFO and AFFO will be volatile, particularly where for example GDI Property Group buys properties that are 46% vacant (50 Cavill Avenue, Surfers Paradise), or sells assets where management believe the value has been maximised (25 Grenfell Street, Adelaide, 307 Queen Street, Brisbane) and uses the proceeds to reduce gearing. Regardless of the capital structure of GDI Property Group, the assets it holds, or the time of the property cycle, GDI Property Group's intention is to deliver an ATR of at least 10%p.a. This measure forms the basis of the financial measure in the balanced scorecard (see 5.6.4.2) and one half of the test for LTIs. GDI Property Group has been consistent with this measure and the hurdle rates since IPO in 2013.

However, GDI Property Group also acknowledges that securityholders get rewarded through movements in the security price and distributions. Accordingly, the other half of GDI Property Group's LTIs is tested against a peer group. Security price performance does not influence the balanced scorecard approach GDI Property Group utilises to determine KMP STIs.

5.6.2 Performance rights issued as part of the IPO (retention rights)

As disclosed in the Prospectus and Product Disclosure Statement for the initial public offer (IPO) of securities in GDI Property Group dated 25 November 2013 (Offer Document), GDI Property Group granted 1.5 million performance rights to employees who were employed at the time the performance rights plan was established and vested three years from the IPO. The principle performance condition was to remain being employed by GDI Property Group at the time the performance rights vested. As all employees that were granted these performance rights remained in employment at the time of vesting, all performance rights (1.5 million) vested. These performance rights were satisfied by GDI Property Group acquiring and transferring 1.5 million securities to employees. These securities are not subject to any escrow or other trading restrictions.

5.6.3 Past issues of LTI

543,124 performance rights were granted as part of GDI Property Group's FY14 LTI plan. These performance rights were tested three years from issue, at which time they either vested or lapsed. As with the FY17 performance rights, the performance rights are subject to 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 2017, GDI Property Group's Comparator Group comprised 13 entities (14 including GDI Property Group). Although GDI Property Group's TSR for the three year period ended 30 June 2017 was 37.91%, it ranked 11th out of 14 in the Comparator Group. As GDI Property Group's TSR did not reach the 50th percentile of the TSR of the Comparator Group, all performance rights subject to this test (271,562) lapsed.

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 2014 NTA	**$0.93**	FY15	$0.0750			
30 June 2017 NTA	$1.12	FY16	$0.0775			
		FY17	$0.0775			
Total movement	**$0.19**	**Total distributions**	**$0.2300**	**$0.42**	**45.16%**	**15.05%**

As the ATR exceeded the 12% maximum threshold, all performance rights subject to this test (271,562) vested on the signing of this financial report. These performance rights will be satisfied by GDI Property Group acquiring on market 271,562 securities and transferring them to the relevant employees. These securities will not be subject to any escrow or other trading restrictions.

5.6.4 STI outcomes

5.6.4.1 KMP balanced scorecard

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

	Financial		Operational		People and culture		Total
	% weighting of total STI	% of total STI granted	% weighting of total STI	% of total STI granted	% weighting of total STI	% of total STI granted	Total STI granted %
Steve Gillard	40%	40%	30%	30%	30%	30%	100%
David Williams	30%	30%	50%	50%	20%	20%	100%
John Garland	20%	20%	60%	60%	20%	20%	100%
Paul Malek	20%	20%	70%	70%	10%	10%	100%
Greg Marr	20%	20%	70%	70%	10%	10%	100%

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

Financial

For FY17, the financial measures are split equally between GDI Property Group's minimum ATR target and meeting or exceeding FFO guidance, as updated from time to time.

Minimum FY17 ATR target	FY17 ATR	Achieved (Y/N)	FFO guidance / security	FFO / security	Achieved (Y/N)
10%	18.56%	Y	8.20 cents	8.46 cents	Y

Operational

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

During FY17 all KMP exceeded their operational objectives, with particular highlights being:

- the leasing successes at 66 Goulburn Street, Sydney, and 5 Mill Street, Perth;
- the sales of 307 Queen Street, Brisbane and 25 Grenfell Street, Adelaide;
- the sale of 80 George Street Parramatta (GDI No. 40 Office Trust) and the consequential 19% IRR to investors; and
- reducing the principal facility's gearing to 8%.

People and culture

The MD and Disclosed Executives are expected to demonstrate exceptional leadership and commitment, with those that have direct reports also measured by their people management and people development skills. The biggest compliment to the MD and Disclosed Executives is that since IPO no employee has resigned from GDI Property Group. This stable workforce has created a unique culture and the Board has determined to reward those responsible for creating it.

Specific objectives achieved by KMP during the year included:

- progressing the development of staff through both 'on the job' and formal training;
- varying GDI Funds Management's AFSL to have removed the Key Person requirement, then ensuring that the existing responsible managers were sufficiently qualified to oversee GDI Funds Management's AFSL authorisations to enable the retirement of Mr Tony Veale as a responsible manager; and
- the seamless transition of the Mr John Tuxworth on to and Mr Tony Veale from the Board.

Securityholder alignment

To enhance the alignment with securityholders, the N&RC determined that any STI granted to the MD and Disclosed Executives would be split 50% cash, 50% performance rights where the principle performance condition is continued employment (or a good leaver) for three years from the conclusion of the performance year. The expense of these performance rights is incurred over four years, the year to which the performance period relates (FY17) and the three vesting years (FY18, FY19 and FY20). As these performance rights had not been issued by 30 June 2017, GDI Property Group has recognised the fair value of them as an accrual with the cost recognised as an employee benefit expense. Once the rights are issued, the accrual will be reversed with a corresponding increase in the security-based payments reserve in equity.

Further details of the STI outcomes for the MD and Disclosed Executives are provided in Section 5.7 of this Remuneration Report. The issue of performance rights to the MD is subject to securityholder approval at the Annual General Meeting to be held 16 November 2017.

5.6.5 LTI outcomes

The Board of GDI Property Group considers it is important to both align executive remuneration with securityholders outcomes and to encourage behaviour that supports both entrepreneurism and long term financial soundness within the confines of GDI Property Group's risk management framework. As a result, GDI Property Group has advised that it will grant performance rights to the MD and Disclosed Executives as part of their annual remuneration package. The issue of performance rights to the MD is subject to securityholder approval at the Annual General Meeting to be held 16 November 2017. The expense of the performance rights relating to the year ended 30 June 2017 is incurred over four years, the year to which the performance period relates (FY17) and the three vesting years (FY18, FY19 and FY20). As the performance rights had not been issued by 30 June 2017, the Group has recognised the fair value of them as an accrual with the cost recognised as an employee benefit expense. Once the rights are issued, the accrual will be reversed with a corresponding increase in the security-based payments reserve in equity.

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

5.7 Remuneration outcomes

Non-Executive Directors

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

Principle	Comment	
Aggregate Board fees are within the maximum disclosed to securityholders in the Offer Document	The aggregate fee pool for NED's as disclosed in the Offer Document is $3 million. The annual total of NEDs' fees, including superannuation contributions, is within this limit.	
Fees are set by reference to key considerations	Board fees are set by reference to a number of relevant considerations including: • 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 Property Group and NEDs are not eligible to participate in any of GDI Property Group's incentive arrangements.	
Annual Board fees (inclusive of superannuation)	Chairman	Other NED
	$150,000	$75,000

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

Managing Director contract terms

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

Fixed remuneration	$765,000, inclusive of superannuation.
Participation in performance rights plan	Subject to stapled securityholder approvals, Mr Gillard is entitled to participate in the performance rights plan.
Length of contract	Mr Gillard commenced as Managing Director on 16 December 2013 and is on a permanent contract, which is an ongoing employment contract until notice is given.
Notice periods	• Mr Gillard may terminate the employment contract at any time by giving six months' notice in writing. • GDI Property Group may terminate the employment contract for any reason by giving 12 months' notice, or alternatively, payment in lieu of notice.

	• In the event of wilful negligence or serious misconduct, GDI Property Group may terminate Mr Gillard's employment contract immediately by notice in writing and without payment.
Restraint of trade	Mr Gillard will be subject to a restraint period of six months from termination.

Managing Director's remuneration outcome

Actual remuneration provided to the MD for the period ended 30 June 2017 is provided below, with the expense relating to the MD's remuneration disclosed in section 5.8 below.

Fixed remuneration	The MD received $765,000 of fixed remuneration for the year ended 30 June 2017, inclusive of superannuation.
STI	The MD received an STI award of $573,750, 100% of his potential entitlement, based on the Balanced Scorecard approach discussed above. Subject to securityholder approval, the STI will be paid 50% in cash and 50% in performance rights where the principle performance condition is remaining employed by a GDI Property Group entity for three years after the conclusion of the performance year. Further details of the actual STI awarded to the MD are provided in the table below on page 31 of this Remuneration Report.
LTI	The MD received an LTI award of $573,750 value, being 765,460 performance rights. Fifty percent of these are subject to a Total Securityholder Return test (versus a peer group) and the other fifty percent are subject to an Absolute Total Return test (NTA growth plus distributions). Each performance right is tested once three years after the conclusion of the performance year. Details of the actual LTI awarded to the MD are provided in the table below on page 31 of this Remuneration Report.

Disclosed Executive contract terms

	David Williams	John Garland	Paul Malek	Greg Marr
Fixed remuneration	$375,000	$350,000	$325,000	$300,000
Participation in performance rights plan	Disclosed Executives are entitled to participate in the performance rights plan.			
Length of contract	Disclosed Executives are subject to an ongoing employment contract until notice is given.			
Notice periods	• Disclosed Executives may terminate the employment contract at any time by giving three months' notice in writing. • GDI Property Group 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 Property Group may terminate a Disclosed Executive's employment contract immediately by notice in writing and without payment.			
Restraint of trade	Disclosed Executives will be subject to a restraint period of three months from termination.			

Disclosed Executives remuneration outcomes

Actual remuneration provided to Disclosed Executives for the period ended 30 June 2017 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 31 of this Remuneration Report. The STI has been paid 50% in cash and 50% in performance rights where the principle performance condition is remaining employed by a GDI Property Group entity for three years after the conclusion of the performance year.
LTI	The Disclosed Executives received an LTI as shown in the table on page 31 of this Remuneration Report. Fifty percent of these are subject to a Total Securityholder Return test (versus a peer group) and the other fifty percent are subject to an Absolute Total Return test (NTA growth plus distributions). Each performance right is tested once three years after the conclusion of the performance year.

MD and Disclosed Executive STI outcomes

	Potential STI	STI granted	STI forgone	STI granted	STI forgone	Cash component	PR[1] component	PR[1] granted	FY16 PR[1] expense	Total expense
	$	$	$	%	%	$	$		$	$
Steve Gillard[2]	573,750	573,750	-	100%	-	286,875	286,875	279,878	71,719	358,594
David Williams	187,500	187,500	-	100%	-	93,750	93,750	91,463	23,438	117,188
John Garland	175,000	175,000	-	100%	-	87,500	87,500	85,366	21,875	109,375
Paul Malek	162,500	162,500	-	100%	-	81,250	81,250	79,268	20,313	101,563
Greg Marr	150,000	150,000	-	100%	-	75,000	75,000	73,171	18,750	93,750
	1,248,750	**1,248,750**	**-**	**100%**	**-**	**624,375**	**624,375**	**609,146**	**156,094**	**780,469**

1. Performance rights.
2. The issue of performance rights to Steve Gillard is subject to securityholder approval at the AGM to be held on 16 November 2017.

MD and Disclosed Executive LTI outcome

	LTI granted	PR[1] granted	FY16 PR[1] expense
	$		$
Steve Gillard[2]	573,750	765,460	143,438
David Williams	187,500	250,152	46,875
John Garland	175,000	233,474	43,750
Paul Malek	162,500	216,798	40,625
Greg Marr	150,000	200,122	37,500
Total	**1,248,750**	**1,666,006**	**312,188**

1. Performance rights.
2. The issue of performance rights to Steve Gillard is subject to securityholder approval at the AGM to be held on 16 November 2017.

MD and Disclosed Executive summary of performance rights issued

	Primary performance condition employment				FY15 LTI		FY16 LTI		FY17 LTI		Total LTI		
	FY15 STI	FY16 STI	FY17 STI	Total	TSR[2]	ATR[3]	TSR[2]	ATR[3]	TSR[2,4]	ATR[3,4]	TSR[2]	ATR[3]	Total PR[1]
Vesting date	30-Jun-18	30-Jun-19	30-Jun-20		30-Jun-18	30-Jun-18	30-Jun-19	30-Jun-19	30-Jun-20	30-Jun-20			
Steve Gillard	393,429	259,322	279,878	932,629	455,357	455,357	454,636	454,636	382,730	382,730	1,292,723	1,292,723	3,518,075
David Williams	142,857	90,042	91,463	324,362	148,810	148,810	148,574	148,574	125,076	125,076	422,460	422,460	1,169,282
John Garland	114,286	79,096	85,366	278,748	138,889	138,889	138,669	138,669	116,737	116,737	394,295	394,295	1,067,338
Paul Malek	114,286	72,034	79,268	265,588	119,048	119,048	118,859	118,859	108,399	108,399	346,306	346,306	958,200
Greg Marr	45,714	50,847	73,171	169,732	119,048	119,048	118,859	118,859	100,061	100,061	337,968	337,968	845,668
	810,572	551,341	609,146	1,971,059	981,152	981,152	979,597	979,597	833,003	833,003	2,793,752	2,793,752	7,558,563

1. Performance rights.
2. Total shareholder return, being movement in the security price and distributions.
3. Absolute total return, being movement in NTA/security and distributions.
4. The issue of performance rights to Steve Gillard is subject to securityholders approval at the AGM to be held on 16 November 2017.

5.8 KMP remuneration table

5.8.1 KMP remuneration table for the period ended 30 June 2017

	Short term benefits				Post employment	Long term benefits	Security based payments: Relating to prior periods				Security based payments: Relating to current period		Total remuneration[6]		
	Salary & fees	Accrued leave[3]	Other[4]	Cash bonus	Super contributions	Long service leave[3]	Performance rights for retention[5]	FY14 Performance rights[5]	FY15 Performance rights[5]	FY16 Performance rights[5]	STI Performance rights[5]	LTI Performance rights[5]	Total remuneration	Performance related	Performance rights
	$	$	$	$	$	$	$	$	$		$	$	$	%	%
Non-executive directors															
G Kelly	136,986	-	-	-	13,014	-	-	-	-	-	-	-	150,000	-	-
G Anderson	58,293	-	-	-	16,707	-	-	-	-	-	-	-	75,000	-	-
L Towell	68,493	-	-	-	6,507	-	-	-	-	-	-	-	75,000	-	-
J Tuxworth[1]	24,829	-	-	-	2,359	-	-	-	-	-	-	-	27,188	-	-
T Veale[2]	43,950	-	-	-	4,175	-	-	-	-	-	-	-	48,125	-	-
Managing Director															
S Gillard	730,000	(29,629)	-	286,875	35,000	7,878	-	46,079	229,500	200,813	71,719	143,438	1,721,672	57%	40%
Disclosed executives															
D Williams	350,000	0	1,141	93,750	25,000	3,862	74,013	15,059	78,125	66,797	23,438	46,875	778,058	51%	39%
J Garland	330,384	(7,135)	719	87,500	19,616	13,048	74,013	14,055	68,750	61,250	21,875	43,750	727,825	51%	39%
P Malek	305,384	8,980	1,539	81,250	19,616	5,793	42,293	12,047	62,500	53,438	20,313	40,625	653,778	48%	35%
G Marr	265,000	3,669	602	75,000	35,000	225	21,146	-	47,500	48,750	18,750	37,500	553,142	45%	31%
Total	**2,313,319**	**(24,114)**	**4,001**	**624,375**	**176,994**	**30,807**	**211,464**	**87,239**	**486,375**	**431,047**	**156,094**	**312,188**	**4,809,789**		

1. Mr John Tuxworth was appointed to the Board on 20 February 2017
2. Mr Tony Veale retired from the Board on 20 February 2017
3. Annual and long term service leave are accounted on an accruals basis. The amounts represent the change in accrued leave during the period.
4. Other includes the cost of an annual gym membership and other items incurred by GDI Property Group as part of its employee health and wellbeing program.
5. The amount shown is the fair value of performance rights under the various STI, LTI and retention plans included in the relevant financial period and does not represent actual STI or LTI awards made.
6. Amounts disclosed as total remuneration excludes insurance premiums paid by GDI Property Group in respect of Directors' and Officers' liability insurance contracts.

5.8.2 KMP remuneration table for the period ended 30 June 2016

	Short term benefits				Post employment	Long term benefits	Security based payments: Relating to prior periods			Security based payments: Relating to current period		Total remuneration[4]		
	Salary & fees	Accrued leave[1]	Other[2]	Non monetary benefits	Cash bonus	Super contributions	Long service leave[1]	Performance rights for retention[3]	FY14 Performance rights[3]	FY15 Performance rights[3]	STI Performance rights[3]	LTI Performance rights[3]	Total remuneration	Performance related	Performance rights
	$	$	$	$	$	$	$	$	$	$	$	$	$	%	%
Non-executive directors															
G Kelly	136,986	-	-	-	-	13,014	-	-	-	-	-	-	150,000	-	-
G Anderson	58,293	-	-	-	-	16,707	-	-	-	-	-	-	75,000	-	-
L Towell	68,493	-	-	-	-	6,507	-	-	-	-	-	-	75,000	-	-
T Veale	68,493	-	-	-	-	6,507	-	-	-	-	-	-	75,000	-	-
Managing Director															
S Gillard	730,000	9,263	1,209	-	229,500	35,000	5,524	-	46,079	229,500	57,375	143,438	1,486,888	47%	32%
Disclosed executives															
D Williams[5]	339,583	(10,748)	1,170	-	79,688	25,000	2,708	103,438	15,059	78,125	19,922	46,875	700,820	49%	38%
J Garland	330,692	4,238	719	-	70,000	19,308	6,870	103,438	14,055	68,750	17,500	43,750	679,320	47%	36%
P Malek	280,692	3,633	973	-	63,750	19,308	3,948	59,108	12,047	62,500	15,938	37,500	559,396	45%	33%
G Marr[5]	260,986	(9,821)	-	-	45,000	35,000	233	29,554	-	47,500	11,250	37,500	457,201	37%	28%
Total	**2,274,219**	**(3,436)**	**4,072**	**-**	**487,938**	**176,350**	**19,283**	**295,538**	**87,239**	**486,375**	**121,984**	**309,063**	**4,258,626**		

1. Annual and long term service leave are accounted on an accruals 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 Property Group as part of its employee health and wellbeing program.
3. The amount shown is the fair value of performance rights under the various STI, LTI and retention plans included in the relevant financial period and does not represent actual STI or LTI awards made.
4. Amounts disclosed as total remuneration excludes insurance premiums paid by GDI Property Group in respect of Directors' and Officers' liability insurance contracts.
5. D Williams and G Marr both took additional days annual leave during the period as leave without pay.

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	Securities bought / (sold)	Securities held at the end of the period
Directors				
Graham Kelly	200,000	-	50,000	250,000
Steve Gillard	30,300,000	-	-	30,300,000
Tony Veale[1]	30,252,440	-	-	30,252,440
Gina Anderson	70,000	-	-	70,000
Les Towell	1,061,595	-	-	1,061,595
John Tuxworth[2]	55,200	-	-	55,200
Other key management personnel				
David Williams	200,000	350,000	-	550,000
John Garland	22,500	350,000	(85,000)	287,500
Paul Malek	25,000	200,000	-	225,000
Greg Marr	5,326	100,000	-	105,326

1. Tony Veale retired as a Director on 20 February 2017 and held 30,252,440 securities at that time.
2. John Tuxworth was appointed a Director on 20 February 2017 and held 55,200 at the time.

There were no other transactions with KMP in the year ended 30 June 2017.

6. Other Disclosures

6.1 Indemnification and Insurance of Directors and Officers

GDI Property Group provides a Deed of Indemnity and Access (Deed) in favour of each Director of GDI Property Group 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 Property Group, 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 Property Group has agreed to indemnify the auditors out of the assets of GDI Property Group if GDI Property Group has breached the agreement under which the auditors are appointed.

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

6.2 Rounding of Amounts

GDI Property Group 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*.

6.4 Non-Audit Services

The following fees were paid or are payable to Hall Chadwick for non-audit services provided during the year ended 30 June 2017:

	$
Provision of tax advice	128,134

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 and Risk Management Committee, the Directors are satisfied that the provision of non-audit services by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- the Audit & Risk Management Committee reviewed the non-audit services and other assurance services at the time of appointment to ensure that they did not impact upon the integrity and objectivity of the auditor;
- the Board's own review conducted in conjunction with the Audit & Risk Management Committee, having regard to the Board's policy with respect to the engagement of GDI Property Group's auditor; and
- 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 or risks.

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.

Graham Kelly	Steve Gillard
Chairman	Managing Director

Sydney
Dated this 21st day of August 2017

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

SYDNEY
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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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2017 there have been no contravention of:

(a) the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review, and

(b) any applicable code of professional conduct in relation to the review

Hall Chadwick

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

S Kumar

Sandeep Kumar
Partner
Dated: 21 August 2017

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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Trust	
		2017	2016	2017	2016
	Notes	$'000	$'000	$'000	$'000
Revenue from ordinary activities					
Property income	2	68,448	74,558	68,448	74,558
Funds management income		3,285	3,709	-	-
Interest revenue		345	2,508	218	2,491
Other income		7	16	7	-
Total revenue from ordinary activities		72,086	80,791	68,673	77,049
Net fair value gain on interest rate swaps		1,885	390	1,885	390
Gain on termination of interest rate swaps		35	-	35	-
Net fair value gain on investment property		69,647	16,539	69,647	16,539
Total income		**143,653**	**97,721**	**140,240**	**93,979**
Expenses					
Property expenses		20,438	20,451	20,438	20,451
Finance costs	3	8,461	12,425	8,458	12,425
Corporate and administration expenses	4	7,205	6,354	2,444	1,798
Other		159	321	-	-
Loss on sale of non-current asset		12	1,233	12	1,233
Acquisition expenses		91	8,541	58	10,311
Initial public offer costs		316	447	303	424
Total expenses		**36,682**	**49,772**	**31,713**	**46,642**
Profit before tax		**106,970**	**47,949**	**108,527**	**47,337**
Income tax benefit/(expense)	5	345	(248)	-	-
Net profit from continuing operations		**107,316**	**47,701**	**108,527**	**47,337**
Other comprehensive income		**-**	**-**	**-**	**-**
Total comprehensive income for the year		**107,316**	**47,701**	**108,527**	**47,337**
Profit and total comprehensive income attributable to:					
Company shareholders		(1,211)	363	-	-
Trust unitholders		99,983	51,360	99,983	51,360
Profit and total comprehensive income attributable to stapled securityholders		98,772	51,723	99,983	51,360
External non-controlling interests		8,544	(4,022)	8,544	(4,022)
Profit after tax from continuing operations		**107,316**	**47,701**	**108,527**	**47,337**
		Cents	Cents	Cents	Cents
Basic earnings per stapled security/trust unit		18.34	9.59	18.57	9.52
Diluted earnings per stapled security/trust unit		18.20	9.53	18.43	9.47

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group 2017 $'000	Group 2016 $'000	Trust 2017 $'000	Trust 2016 $'000
Current assets					
Cash and cash equivalents	6	23,113	28,394	21,620	25,469
Trade and other receivables	7	3,122	3,144	1,933	2,105
Non-current assets held for sale	9	223,000	-	223,000	-
Other assets	8	1,705	1,705	3,219	2,641
Total current assets		**250,940**	**33,243**	**249,772**	**30,215**
Non-current assets					
Investment properties	10	499,628	900,478	499,628	900,478
Plant and equipment	11	100	121	-	-
Deferred tax asset	13	1,258	913	-	-
Intangible assets	14	18,110	18,110	-	-
Total non-current assets		**519,097**	**919,622**	**499,628**	**900,478**
Total assets		**770,037**	**952,865**	**749,401**	**930,693**
Current liabilities					
Derivative financial instruments	12	-	223	-	223
Trade and other payables	15	29,605	30,699	28,400	29,408
Provisions	16	184	346	-	-
Total current liabilities		**29,789**	**31,268**	**28,400**	**29,631**
Non-current liabilities					
Borrowings	17	79,899	320,116	79,757	319,974
Derivative financial instruments	12	1,195	4,065	1,195	4,065
Provisions	16	118	80	-	-
Other liabilities		-	18	70	-
Total non-current liabilities		**81,212**	**324,279**	**81,022**	**324,039**
Total liabilities		**111,001**	**355,547**	**109,422**	**353,670**
Net assets		**659,036**	**597,318**	**639,979**	**577,023**
Equity					
Contributed equity	18	22,264	22,310	501,448	502,469
Reserves	19a	125	105	2,752	2,329
Retained profits	19b	(3,332)	(2,120)	97,623	39,356
Equity attributable to equity holders of the Company/Trust		**19,057**	**20,295**	**601,823**	**544,155**
Non-controlling interests					
Unitholders of the Trust					
Contributed equity	18	501,448	502,469	-	-
Reserves	19a	2,752	2,329	-	-
Retained profits	19b	97,623	39,356	-	-
Total equity attributable to trust unitholders		**601,823**	**544,155**	**-**	**-**
Equity attributed to holders of stapled securities		**620,880**	**564,450**	**-**	**-**
External non-controlling interest					
Contributed equity		36,890	36,890	36,890	36,890
Retained profits	19b	1,266	(4,022)	1,266	(4,022)
Total equity attributable to external non-controlling interest		**38,156**	**32,868**	**38,156**	**32,868**
Total equity		**659,036**	**597,318**	**639,979**	**577,023**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group

	Equity attributable to securityholders of the Group						
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total $'000	Non-controlling interest (Trust) $'000	Non-controlling interest (GDI No. 42 Office Trust) $'000	Total equity $'000
Balance as at 30 June 2015	**22,550**	**(58)**	**(2,484)**	**20,009**	**536,247**	**-**	**544,162**
Comprehensive income							
(Loss)/profit for the period	-	-	363	363	51,360	(4,022)	47,701
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**363**	**363**	**51,360**	**(4,022)**	**47,701**
Transactions with securityholders in their capacity as securityholders							
Initial contribution of equity	-	-	-	-	-	36,890	36,890
Security-based payments expense	-	68	-	68	1,512	-	1,581
On-market securities buy-back	(145)	-	-	(145)	(3,206)	-	(3,351)
Transfer from treasury security reserve to equity	(95)	95	-	-	-	-	-
Distributions paid/payable	-	-	-	-	(41,758)	-	41,758
Total transactions with securityholders in their capacity as securityholders	**(240)**	**163**	**-**	**(77)**	**(43,452)**	**36,890**	**(6,638)**
Balance as at 30 June 2016	**22,310**	**105**	**(2,120)**	**20,295**	**544,155**	**32,868**	**597,318**
Balance as at 1 July 2016	**22,310**	**105**	**(2,120)**	**20,295**	**544,155**	**32,868**	**597,318**
Comprehensive income							
Profit for the period	-	-	(1,211)	(1,211)	99,983	8,544	107,316
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**(1,211)**	**(1,211)**	**99,983**	**8,544**	**107,316**
Transactions with securityholders in their capacity as securityholders							
Initial contribution of equity	-	-	-	-	-	-	-
Security-based payments expense	-	77	-	77	1,693	-	1,770
Cash settlement transaction		(58)		(58)	(1,270)	-	(1,328)
On-market securities buy-back	(46)	-	-	(46)	(1,021)	-	(1,067)
Distributions paid/payable	-	-	-	-	(41,717)	(3,256)	(44,973)
Total transactions with securityholders in their capacity as securityholders	**(46)**	**20**	**-**	**(27)**	**(42,315)**	**(3,256)**	**(45,598)**
Balance as at 30 June 2017	**22,264**	**125**	**(3,332)**	**19,057**	**601,823**	**38,156**	**659,036**

The accompanying notes form part of these financial statements.

Trust

	Equity attributable to unitholders of the Trust					
	Contributed equity $'000	Reserves $'000	Retained earnings $'000	Total equity attributable to unitholders of the Trust $'000	External non-controlling interest (GDI No. 42 Office Trust) $'000	Total equity $'000
Balance as at 1 July 2015	**507,769**	**(1,277)**	**29,755**	**536,247**	**-**	**536,247**
Comprehensive income						
Profit for the period	-	-	51,360	51,360	(4,022)	47,337
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**81,115**	**51,361**	**(4,022)**	**47,337**
Transactions with unitholders in their capacity as unitholders						
Initial contribution of equity	-	-	-	-	36,890	36,890
Security-based payments expense	-	1,512	-	1,512	-	1,512
On-market securities buy-back	(3,206)	-	-	(3,206)	-	(3,206)
Transfer from treasury security reserve to equity	(2,094)	2,094	-	-	-	-
Distributions paid/payable	-	-	(41,758)	(41,758)	-	(41,758)
Total transactions with unitholders in their capacity as unitholders	**(5,300)**	**3,606**	**(41,758)**	**(43,452)**	**36,890**	**6,561**
Balance as at 30 June 2016	**502,469**	**2,329**	**39,357**	**544,155**	**32,868**	**577,023**
Balance as at 1 July 2016	**502,470**	**2,329**	**39,357**	**544,155**	**32,868**	**577,023**
Comprehensive income						
Profit for the period	-	-	99,983	99,983	8,544	108,527
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	**-**	**-**	**99,983**	**99,983**	**8,544**	**108,527**
Transactions with unitholders in their capacity as unitholders						
Initial contribution of equity	-	-	-	-	-	-
Security-based payments expense	-	1,693	-	1,693	-	1,693
Cash settlement transaction		(1,270)		(1,270)		(1,270)
On-market securities buy-back	(1,021)	-	-	(1,021)	-	(1,021)
Distributions paid/payable	-	-	(41,717)	(41,717)	(3,256)	(44,973)
Total transactions with unitholders in their capacity as unitholders	**(1,021)**	**423**	**(41,717)**	**(42,315)**	**(3,256)**	**(45,571)**
Balance as at 30 June 2017	**501,448**	**2,752**	**97,624**	**601,823**	**38,156**	**639,979**

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

		Group		Trust	
		2017	2016	2017	2016
	Notes	$'000	$'000	$'000	$'000
Cash flows from operating activities					
Receipts in the course of operations		79,732	81,582	75,415	77,168
Payments in the course of operations		(29,319)	(35,609)	(22,878)	(32,419)
Interest received		345	2,508	218	2,491
Interest paid		(7,672)	(12,210)	(7,779)	(13,233)
Net cash inflow from operating activities	**25**	**43,085**	**36,271**	**44,975**	**34,007**
Cash flows from investing activities					
Payments for investment properties		(1,178)	(134,639)	(1,178)	(134,639)
Proceeds from sale of investment properties		265,651	153,593	265,651	153,593
Payments for capital expenditure		(14,327)	(14,336)	(14,327)	(14,336)
Payments for plant and equipment		(48)	(32)	-	-
Payments of incentives		(14,937)	(9,471)	(14,937)	(9,471)
Loan to associated companies		(284)	-	(839)	-
Payments for deposit of investment		-	(62)	-	(62)
Proceeds from rent guarantee		4,091	2,171	4,091	2,171
Net cash used in investing activities		**238,967**	**(2,776)**	**238,461**	**(2,744)**
Cash flows from financing activities					
Payments for the on-market buy-back of securities		(1,067)	(3,351)	(1,021)	(3,206)
Payments for derivative transaction costs		(1,173)	-	(1,173)	-
Payment of loan transaction costs		(21)	-	(51)	-
Payment of dividends/distributions		(44,573)	(41,317)	(44,573)	(41,317)
Transaction with non-controlling interest - GDI No.42 Office Trust		-	36,890	-	36,890
Proceeds from borrowings		-	129,261	-	129,261
Repayment of borrowings		(240,500)	(131,408)	(240,466)	(131,408)
Net cash from financing activities		**(287,334)**	**(9,925)**	**(287,284)**	**(9,781)**
Net increase in cash and cash equivalents		**(5,281)**	**23,570**	**(3,849)**	**21,482**
Cash and cash equivalents at beginning of year		28,394	4,824	25,469	3,986
Cash and cash equivalents at the end of the year	**6**	**23,113**	**28,394**	**21,620**	**25,469**

The accompanying notes form part of these financial statements.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GDI Property Group (the "Group") 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 Property Group 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 Property Group. 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:

- the Group, 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 2017 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. The Group 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 the Group. 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 post-stapled financial statements of the Group, 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 2017, that is the Company and its subsidiaries and the Trust and its subsidiaries, collectively referred to as the Group.

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

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of GDI Property Group 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 the Group.

(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) 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 Property Group'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 entity disposed of.

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.

(f) 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 properties were sold is not accounted for in this Financial Report.

(ii) Company and other taxable entities

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

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

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

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

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

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

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

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can 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 GDI Property Group Limited.

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

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

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

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

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

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

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

(g) Plant and equipment

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

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

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

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

Class	**Rate**
Furniture and fittings	2% - 67%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

Gains and losses on disposals are determined by comparing proceeds to the carrying amount. Any gain or loss is included in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

(h) Impairment of assets

Goodwill and tangible assets that have an indefinite useful life are not subject to amortisation and are tested 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, the Group assesses whether there is any indication that any other asset may be impaired. Where an indicator of impairment exists, the Group 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 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.

(i) Investment property

Investment property is property which is held either to earn income or for capital appreciation or both. Investment property also includes properties that are under construction for future use as investment properties. 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.

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 property marketing wherein the parties had each acted knowledgably, prudently and without compulsion.

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

Valuations reflect, where appropriate:

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

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

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.

(j) Cash and cash equivalents

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

(k) Leases

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

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

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

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

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

(l) Fair value of assets and liabilities

The Group 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 the Group 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.

(m) Financial Instruments

Initial recognition and measurement

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

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

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost.

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.

The Group 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.

(n) Derivative financial instruments

The Group is exposed to changes in interest rates and uses interest rate derivatives to hedge these risks. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured to fair value at balance date. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

The Group enters into interest rate swap agreements that are used to convert certain variable interest rate borrowings to fixed interest rates. The derivatives are entered into with the objective of hedging the risk of adverse interest rate fluctuations. While the Group has determined that these arrangements are economically effective, they have not satisfied the documentation, designation and effectiveness tests required by accounting standards. As a result, they do not qualify for hedge accounting and gains or losses arising from changes in fair value are recognised immediately in profit or loss.

(o) Employee benefits

(i) Short-term employee benefits

Provision is made for the Group'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.

The Group'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. The Group's obligations for employees' annual leave and long service leave entitlements are recognised as provisions in the statement of financial position.

(ii) Other long-term employee benefits

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

The Group's obligations for long-term employee benefits are presented as non-current provisions in its statement of financial position, except where the Group 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

The Group 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 into the Group securities at no cost, if vesting conditions are satisfied.

The cost of the issues of performance rights are recognised as an employee benefit expense (for performance rights issued in relation to executive remuneration for the period ended 30 June 2014, and the years ended 30 June 2015, 30 June 2016 and 30 June 2017) or initial public offer costs (for performance rights issued to employees as disclosed in the Prospectus and Product Disclosure Statement dated 25 November 2013 in relation to the Initial Public Offer of GDI Property Group securities). 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 Property Group 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. For non-market based vesting conditions, at each reporting date the Group 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.

(p) Revenue and other income

(i) 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 receivable or if paid in advance, as rent in advance (unearned income). Lease incentives granted are considered an integral part of the total rental revenue and are recognised as a reduction in rental income over the term of the lease, on a straight line basis. Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI or market linked rental increases, are only recognised when contractually due.

(ii) Funds management revenue

Acquisition and capital raising fee revenue is recognised at settlement of the relevant property or proportionately as the equity interests are issued/sold to external investors as appropriate. Management fee revenue is recognised on a proportional basis over this time as services are performed.

(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 the Group.

(q) Property expenses

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

(r) Trade and other receivables

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

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

(s) Trade and other payables

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

(t) 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 the Group 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.

(u) Provisions

Provisions are recognised when:

- the Group 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.

(v) 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.

(w) Rounding of amounts

The parent entity 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 off to the nearest $1,000.

(x) 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 entities 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 management 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.

(y) Contributed equity

Ordinary shares and units are classified as equity and recognised at the fair value of the consideration received by the Group. 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.

(z) Distributions and dividends

Distributions are paid to GDI Property Group 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.

(aa) Earnings per stapled security

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

(ab) Critical accounting estimates and assumptions

The preparation of the financial reports requires management to make judgements, estimates and assumptions that effect 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 with the next financial year to the carrying amounts of asset and liabilities recognised in these financial reports are:

(i) Valuation of investment property

Critical judgements are made by the 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. Then 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. Major assumptions used in valuation of the property investments are disclosed in Note 10.

(ii) Valuation of financial instruments

The fair value of derivative assets and liabilities are based on assumptions of future events and involve significant estimates. The basis of valuation for the Group's derivatives are set out in Note 1(n), however the fair values of derivatives reported at 30 June 2017 may differ if there is volatility in market rates in future periods. The valuation techniques are discussed in detail at Note 10 and have been developed in compliance with requirements of AASB 139 Financial Instruments: Recognition and Measurement.

(iii) Impairment of loans and receivables

Assets are assessed for impairment each reporting date by evaluating whether any impairment triggers exist. Where impairment triggers exist, management reviews the allocation of cash flows to those assets and estimates a fair value for the assets. Critical judgements are made by the Group in setting appropriate impairment triggers for its assets and the assumptions used when determining fair values for assets where triggers exist.

(iv) Security-based payments

The Group 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 models. The related assumptions are detailed in Note 30. The accounting estimates and the assumptions relating to performance rights will have no impact on the carrying amounts of assets and liabilities within the next reporting period, but may impact the security based payment expense and equity.

(v) 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.

(vi) Consolidation of entities in which the Group holds less than 50%

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

NOTE 2 – PROPERTY REVENUE

	Group		Trust	
	2017	2016	2017	2016
Property revenue	$'000	$'000	$'000	$'000
Rent and recoverable outgoings	76,674	79,611	76,674	79,611
Lease costs and incentive amortisation	(8,226)	(5,053)	(8,226)	(5,053)
Total property revenue	**68,448**	**74,558**	**68,448**	**74,558**

NOTE 3 – FINANCE COSTS

	Group		Trust	
	2017	2016	2017	2016
Finance costs	$'000	$'000	$'000	$'000
Interest paid / payable	8,461	12,425	8,458	12,425
Total finance costs	**8,461**	**12,425**	**8,458**	**12,425**

NOTE 4 – CORPORATE AND ADMINISTRATION EXPENSES

	Group		Trust	
	2017	2016	2017	2016
Corporate and administration expenses	$'000	$'000	$'000	$'000
Audit and taxation fees	278	231	95	72
Custodian fees	95	64	95	64
Occupancy expenses	304	298	-	-
Employee benefits expense	5,937	5,128	1,514	1,041
Others	592	633	740	621
Total corporate and administration expenses	**7,205**	**6,354**	**2,444**	**1,798**

NOTE 5 – INCOME TAX EXPENSE/BENEFIT

		Group		Trust	
		2017	2016	2017	2016
	Income tax benefit	$'000	$'000	$'000	$'000
a)	**The components of tax expense/(benefit) comprise:**				
	Current tax	-	-	-	-
	Deferred tax	(345)	248	-	-
	Income tax expense/(benefit)	**(345)**	**248**	**-**	**-**
b)	**Reconciliation of income tax expense/(benefit) to prima facie tax payable:**				
	Prima facie tax payable on profit from ordinary activities before income tax at 27.5%	29,417	14,385	-	-
				-	-
	Add tax effect of:				
	Tax effect of reduction in tax rate	76	-	-	-
	Other non-allowable items	1	21	-	-
	Share option expensed	23	-	-	-
	Less tax effect of:				
	Share options paid	(17)	-	-	-
	Non-taxable trust income	(29,845)	14,158	-	-
	Income tax expense/(benefit) attributable to Group/ Trust	**(345)**	**248**	**-**	**-**

NOTE 6 – CASH AND CASH EQUIVALENTS

	Group		Trust	
	2017	2016	2017	2016
Cash and cash equivalents	$'000	$'000	$'000	$'000
Cash at bank	23,113	28,394	21,620	25,469
Total cash and cash equivalents	**23,113**	**28,394**	**21,620**	**25,469**

NOTE 7 – TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2017	2016	2017	2016
Trade and other receivables	$'000	$'000	$'000	$'000
Trade receivable	3,451	2,849	1,794	1,498
Others	340	717	328	706
Provision for impairment	(670)	(422)	(190)	(100)
Total trade and other receivables	**3,122**	**3,144**	**1,933**	**2,105**

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

	Group	Trust
Provision for impairment	$'000	$'000
Balance at beginning of year	422	100
Charge for the year	248	90
Balance as at 30 June 2017	**670**	**190**

Trade receivables

Included in trade and other receivables of the Group is $73,375 (2016: $511,000) of fees charged to managed funds that have subsequently been paid and $1,528,322 (2016: $815,000) that remains unpaid. Of this, $480,199 (2016: $321,000) has been provisioned for impairment. The Group also had $871,913 (2016: $625,000) of rent receivable which was past due but not impaired. Of this, $89,525 (2016: $100,000) has been provisioned for impairment and the remainder relates to a number of tenants for whom there is no recent history of default and in most cases security is held for greater than the amount outstanding, there has been no impairment of receivables.

NOTE 8 – OTHER ASSETS

	Group		Trust	
	2017	2016	2017	2016
Other assets	$'000	$'000	$'000	$'000
Interest paid in advance	-	378	-	378
Prepayment	657	633	620	573
Others	1,048	694	2,599	1,691
Total other	**1,705**	**1,705**	**3,219**	**2,641**

NOTE 9 – NON-CURRENT ASSETS HELD FOR SALE

During the year, GDI Property Group engaged the services of real estate agents to market for sale 66 Goulburn Street, Sydney. On 17 August 2017, GDI Property Group entered in to a contract to sell 66 Goulburn Street, Sydney, for $252.0 million, a net sales price of approximately $228.0 million after adjustments and selling costs. Accordingly, the asset has been classified as a Non-current asset held for sale, but as the contract is conditional on Foreign Investment Review Board approval, it is carried at its independent valuation of $223.0 million. See note 36, Post balance sheet events for further information.

NOTE 10 – INVESTMENT PROPERTIES

	Group		Trust	
	2017	2016	2017	2016
a) Investment properties at fair value	$'000	$'000	$'000	$'000
Movement in investment properties				
Balance at beginning of the year	900,478	730,334	900,478	730,334
Additions				
- Investment property	1,240	134,639	1,240	134,639
Assets transferred to non-current assets held for sale	(223,000)	-	(223,000)	-
Disposal	(265,664)	-	(265,664)	-
Amortisation of rental guarantee	(4,091)	(2,171)	(4,091)	(2,171)
Capital works				
- Property improvements	12,445	13,875	12,445	13,875
- Maintenance capital	532	459	532	459
Straight-lining of rental income	1,528	1,888	1,528	1,888
Incentives paid	11,745	7,385	11,745	8,458
Capitalised outstanding lease incentives	915	1,073	915	1,073
Lease costs	2,119	1,371	2,119	1,371
Amortisation of incentives	(7,635)	(4,559)	(7,635)	(4,559)
Amortisation of lease costs	(632)	(356)	(632)	(356)
Net gain/(loss) from fair value adjustments	69,647	16,539	69,647	16,539
Balance as at 30 June	**499,628**	**900,478**	**499,628**	**900,478**

b) Rental guarantee and incentive

GDI Property Group obtained various guarantees over properties that it acquired. In relation to 66 Goulburn Street, Sydney, GDI Property Group could draw on a $6.0 million rental guarantee to satisfy outgoings, market rent, incentives, leasing costs or any other costs relating to the property that it elected for a period of up to 60 months (5 years) from settlement. During the period GDI Property Group drew down the remaining balance of this guarantee ($2.4 million). In relation to 307 Queen Street, Brisbane, GDI Property Group obtained a two year guarantee over vacant space (which expired in December 2015) and the payment of tenant incentives (rebates) on terms consistent with the leases in place at the time of the acquisition. During the period GDI Property Group also drew down the balance of this component of the guarantee.

Carrying value of rental guarantee and incentive

Property	Opening balance $'000	Amortised during year $'000	Fair value adjustment $'000	Closing balance $'000
307 Queen St, Brisbane	1,706	(1,706)	-	-
66 Goulburn St, Sydney	2,384	(2,384)	-	-
Total	**4,091**	**(4,091)**	**-**	**-**

Valuation basis

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

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

Valuation basis	2017	2016
Weighted average capitalisation rate (%)	7.32%	7.55%
Weighted average lease expiry by area (years)	3.6 years	4.7 years
Occupancy	88.2%	79.3%

Ten year discounted cash flows and capitalisation valuation methods are used together with active market evidence. In addition to the key assumptions set out in the table above, assumed portfolio downtime ranges from six to 18 months and tenant retention ranges from 50% to 75%.

c) Assets pledged as security

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

d) Leases as a lessor

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

	Group		Trust	
	2017	2016	2017	2016
Lease receivable commitments	$'000	$'000	$'000	$'000
Within one year	54,453	58,706	54,453	58,706
Later than one year but not later than five years	201,612	145,283	201,612	145,283
Later than five years	73,550	34,374	73,550	34,374
Total other	**329,615**	**238,363**	**329,615**	**238,363**

e) Details of investment properties

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

Investment properties	Title	Acquisition date	Acquisition price $'000	Independent valuation date	Independent valuation $'000	Carrying amount $'000	Fair value adjustment $'000
Mill Green Complex, Perth[1]	Freehold	16 December 2013	332,656	31 December 2016	320,000	321,788	(8,807)
50 Cavill Avenue, Surfers Paradise	Freehold	1 February 2016	46,139	30 June 2017	77,600	77,600	17,164
38 / 46 Cavill Avenue, Surfers Paradise	Strata	12 August 2016	1,240	12 August 2016	-	1,240	-
223 - 237 Liverpool Rd, Ashfield	Freehold	17 December 2015	35,000	30 June 2017	43,000	43,000	6,801
235 Stanley St, Townsville	Freehold	16 June 2016	53,500	30 June 2017	56,000	56,000	2,166
Investment properties			**468,535**		**496,600**	**499,628**	**17,324**
Assets transferred to non-current assets held for sale							
66 Goulburn St, Sydney	Leasehold	15 July 2014	136,000	30 June 2017	223,000	223,000	32,232
Total Investment properties			**604,535**		**719,600**	**722,628**	**49,556**

1. The acquisition date and acquisition price are based on the completion date of the restructure and IPO of stapled securities to create GDI Property Group and the independent valuations ascribed to the assets as part of the restructure. The acquisition prices includes capital expenditure incurred between the valuation date for the restructure and the IPO (1st October 2013) and the acquisition date (16th December 2013).

NOTE 11 – PLANT AND EQUIPMENT

a)	Group		Trust	
	2017	2016	2017	2016
Plant and equipment	$'000	$'000	$'000	$'000
Furniture and fittings at cost	135	200	-	-
Accumulated depreciation	(35)	(79)	-	-
Total other	**100**	**121**	**-**	**-**

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	123	123
Additions	33	33
Depreciation	(34)	(34)
Balance as at 30 June 2016	**121**	**121**
Balance at beginning of year	121	121
Additions	14	14
Depreciation	(35)	(35)
Balance as at 30 June 2017	**100**	**100**

NOTE 12 – DERIVATIVE FINANCIAL INSTRUMENTS

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Current interest rate swaps		223		223
Non-Currant interest rate swaps	1,195	4,065	1,195	4,065
Total derivative financial instruments	**1,195**	**4,288**	**1,195**	**4,288**

Details of principal amounts, expiry dates and interest ranges of interest rate derivative contracts are set out in Note 28.

NOTE 13 – DEFERRED TAX ASSETS

	Opening Balance	(Charged)/ Credited to Profit or Loss	(Charged)/ Credited Directly to Equity	Closing Balance
30 June 2017	$'000	$'000	$'000	$'000
Deferred tax asset on:				
Provisions	215	31	-	246
Transaction costs on equity issue	298	(147)	-	151
Tax losses carried forward	400	462	-	861
Net amount	**913**	**345**	**-**	**1,258**

	Opening Balance	(Charged)/ Credited to Profit or Loss	(Charged)/ Credited Directly to Equity	Closing Balance
30 June 2016	$'000	$'000	$'000	$'000
Deferred tax asset on:				
Provisions	100	115	-	215
Transaction costs on equity issue	431	(133)	-	298
Tax losses carried forward	630	(230)	-	400
Net amount	**1,161**	**(248)**	**-**	**912**

The amounts of deductible temporary differences and unused tax losses for which no deferred tax assets have been brought to account:

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Losses for which no deferred tax assets have been brought to account:				
- deductible temporary differences	-	-	-	-
- tax losses – operating in nature	105	260	-	-
	105	**260**	**-**	**-**

The benefits of the above temporary differences and unused tax losses will be realised when the conditions for deductibility set out in Note 1(b) occur. These amounts have no expiry date.

NOTE 14 – INTANGIBLE ASSETS

	Group		Trust	
	2017	2016	2017	2016
Intangible assets	$'000	$'000	$'000	$'000
Goodwill - at cost and at net carrying amount	18,110	18,110	-	-
Total trade and other receivables	**18,110**	**18,110**	**-**	**-**

a) Impairment test for goodwill

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

For subsequent measurement, goodwill is allocated to cash-generating units which are based on the Group's reporting segments. The Group 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 sixth 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 2017	New funds (p.a.)	Fee income	Terminal value growth rate	Discount rate
Funds management segment	FY18: $143.5 million, thereafter $51.7 million	Management fee – 0.65% and 1.00% Acquisition fee – 2% Disposal fee – 2%	2.0%	17.5%

30 June 2016	New funds (p.a.)	Fee income	Terminal value growth rate	Discount rate
Funds management segment	$51.7 million	Management fee – 0.65% and 1.00% Acquisition fee – 2% Disposal fee – 2%	2.0%	17.5%

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

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

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 Property Group's track record and future prospects. GDI Property Group'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 Property Group has used in FY18 $143.5 million, given GDI No. 43 Pty Limited ATF GDI No. 43 Property Trust has exchanged contracts to acquire 6 Sunray Drive, Innaloo, and for FY19 onwards the average amount of AUM raised in FY14, FY15 and FY16.

Fee income – fee income is based on due diligence, management (non-active fee rate) 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 15 – TRADE AND OTHER PAYABLES

	Group		Trust	
	2017	2016	2017	2016
Trade and other payables	$'000	$'000	$'000	$'000
Trade payables and accruals	7,439	7,967	6,383	7,016
Lease incentive payable	915	1,073	915	1,073
Distribution payable	20,838	20,879	20,838	20,879
Other payables	413	780	264	440
Total trade and other payables	**29,605**	**30,699**	**28,400**	**29,408**

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 2017 to 30 June 2017, declared in June and payable in August 2017.

NOTE 16 – PROVISIONS

	Group		Trust	
	2017	2016	2017	2016
Provisions	$'000	$'000	$'000	$'000
Current				
Employee benefits	184	346	-	-
Non-current				
Employee benefits	118	80	-	-
Total provisions	**302**	**426**	**-**	**-**

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, the Group 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 the Group 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(o).

NOTE 17 – BORROWINGS

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

a) Interest bearing liabilities

	Group		Trust	
Borrowings	2017	2016	2017	2016
Non current	$'000	$'000	$'000	$'000
Secured liabilities:				
Loans - financial institutions	80,354	320,854	80,354	320,854
Transaction costs	(455)	(738)	(597)	(880)
Total borrowings	**79,899**	**320,116**	**79,757**	**319,974**

b) Borrowing details

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

Facility	Secured	Maturity date	Facility $'000	Utilised $'000	Unutilised $'000
Facility Tranche B[1]	Yes	October 2018	60,000	10,879	49,121
Facility Tranche C[1]	Yes	October 2018	55,000	38,500	16,500
Term Loan[2]	Yes	June 2019	30,975	30,975	-
Commercial Equity Facility[2]	Yes	June 2019	4,425	-	4,425
			150,400	**80,354**	**70,046**
Facility Tranche D[3]	Yes	October 2018	5,000		
Total facility			**155,400**	**80,354**	**70,046**

1. Facility Tranche B, C and D is secured by first registered mortgage over the wholly owned investment properties held by the Group and a registered fixed and floating charge over the assets of the Group. Interest is payable quarterly in arrears at variable rates based on the 90 day BBSY. Line fees are payable quarterly in advance.
2. The Term Loan and Commercial Equity Facility relate to GDI No. 42 Office Trust and are secured against the assets of that trust. Interest and line fees are payable quarterly in arrears at variable rates based on the 90 day BBSY.
3. The Group 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.

c) Maturity profile

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

	Group		Trust	
	2017	2016	2017	2016
Maturity profile	$'000	$'000	$'000	$'000
Due within one year	1,014	12,933	1,014	12,933
Due between one and five years	81,326	338,746	81,326	338,746
Due after five years	-	-	-	-
	82,340	**351,679**	**82,340**	**351,679**

NOTE 18 – CONTRIBUTED EQUITY

	Group		Trust	
	2017	2016	2017	2016
Contributed equity	$'000	$'000	$'000	$'001
Contributed equity	523,712	524,779	501,448	502,469
Total contributed equity	**523,712**	**524,779**	**501,448**	**502,469**

a) Movements in ordinary securities/units

	Group		Trust	
	No (000)	$'000	No (000)	$'000
Securities on issue at beginning of the year	545,022	530,319	545,022	507,769
Transfer from treasury security reserve	(2,500)	(2,189)	(2,500)	(2,094)
On-market buyback	(3,703)	(3,351)	(3,703)	(3,206)
Contributed equity attributable to shareholders/unitholders as at 30 June 2016	**538,819**	**524,780**	**538,819**	**502,469**
Securities on issue at beginning of the year	538,819	524,780	538,819	502,469
On-market buyback	(1,073)	(1,067)	(1,073)	(1,021)
Contributed equity attributable to shareholders/unitholders as at 30 June 2017	**537,746**	**523,712**	**537,746**	**501,448**

b) Stapled securities

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

NOTE 19 – RESERVES AND RETAINED EARNINGS

a) Security-based payment reserve

	Group	Trust
	$'000	$'000
Balance at the beginning of the year	854	817
Security-based payments expense	1,581	1,512
Balance as at 30 June 2016	**2,435**	**2,329**
Balance at the beginning of the year	2,435	2,329
Security-based payments expense	1,770	1,693
Cash settlement transaction	(1,328)	(1,270)
Balance as at 30 June 2017	**2,877**	**2,752**

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

b) Retained earnings

	Group	Trust
	$'000	$'000
Balance at the beginning of the year	27,272	29,755
Net profit for the financial period	47,701	47,337
Less: Dividends/distributions paid/payable	(41,758)	(41,758)
Balance as at 30 June 2016	**33,214**	**35,334**
Balance at the beginning of the year	33,214	35,334
Net profit for the financial period	107,316	108,527
Less: Dividends/distributions paid/payable	(44,973)	(44,973)
Balance as at 30 June 2017	**95,557**	**98,888**

c) Treasury security reserve

	Note	Group $'000	Trust $'000
Balance at the beginning of the year		(2,189)	(2,094)
On-market buyback		2,189	2,094
Balance as at 30 June 2016		**-**	**-**
Balance at the beginning of the year		-	-
On-market buyback		(1,067)	(1,021)
Cancellation of treasury securities	18a	1,067	1,021
Balance as at 30 June 2017		**-**	**-**

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

NOTE 20 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

a) Dividends paid/payable by the Company

There were no dividends paid or payable by the Company in respect of the 2017 and 2016 financial year/period.

b) Distributions paid/payable by the Group/Trust

	Group		Trust	
	2017	2016	2017	2016
Distributions paid / payable by the Group / Trust	cents/ security	cents/ security	cents/unit	cents/unit
29 February 2016		3.875		3.875
29 August 2016		3.875		3.875
28 February 2017	3.875		3.875	
31 August 2017	3.875		3.875	
Total distributions paid / payable by the Group / Trust	**7.750**	**7.750**	**7.750**	**7.750**

NOTE 21 – EARNINGS PER SECURITY/UNIT

	Group		Trust	
	2017 cents	2016 cents	2017 cents	2016 cents
Basic earnings per security/unit	18.34	9.59	18.57	9.52
Diluted earnings per security/unit	18.20	9.53	18.43	9.47
	$'000	$'000	$'000	$'000
Earnings used to calculate basic and diluted earnings per security/unit:				
Profit for the period	98,772	51,723	99,983	51,360
Profit attributable to ordinary securityholders/equityholders of the Group/Trust used in calculating basic and diluted earnings per security/unit	**98,772**	**51,723**	**99,983**	**51,360**
	No.(000)	No.(000)	No.(000)	No.(000)
Weighted average number of ordinary securities/units used in calculating basic earnings per security/unit	538,499	539,537	539,537	539,537
Weighted average number of ordinary securities/units used in calculating diluted earnings per security/unit	542,644	542,486	542,486	542,486

NOTE 22 – PARENT ENTITY DISCLOSURES

a) Summary financial information

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

	Company	
	2017	2016
Results	$'000	$'000
Loss for the period	**(235)**	**(154)**
Total comprehensive loss for the period	**(235)**	**(154)**
Financial position		
Current assets	17	49
Total assets	21,859	21,986
Current liabilities	137	116
Total liabilities	1,402	1,266
Net assets	**20,457**	**20,720**
Contributed equity	22,264	22,310
Reserves	125	105
Accumulated losses	(1,931)	(1,696)
Total equity	**20,457**	**20,720**

b) Guarantees entered in to by the parent entity

During the years ended 30 June 2017 and 30 June 2016 the parent entity did not provide any guarantee to entities it controlled.

c) Contingent liabilities

The parent entity had no contingent liabilities at year end.

d) Contractual commitments

As at 30 June 2017 and as at 30 June 2016, the Company had no commitments in relation to capital expenditure contracted for but not provided as liabilities.

NOTE 23 – SEGMENT REPORTING

a) Identification of reportable segments

Group

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

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

The Board assesses the performance of each operating sector based on FFO and AFFO. FFO is a global financial measure of the real estate operating performance after finance costs and taxes, adjusted for certain non-cash items. AFFO adjusts FFO for incentives paid during the year and maintenance capital expenditure. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. GDI Property Group'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 makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

(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.

c) **Segment information**

30 June 2017	Property $'000	Funds management $'000	Reviewed but unallocated $'000	Total $'000
Operating earnings				
Net property income	48,011	-	-	48,011
Funds Management income	-	3,126	-	3,126
Other income	-	-	7	7
Total operating earnings	**48,011**	**3,126**	**7**	**51,144**
FFO adjustments				
Straight-lining rental income	(1,528)	-	18	(1,511)
Other FFO adjustments	780	449	-	1,229
Amortisation and depreciation	8,226	-	35	8,260
Movement in rental guarantees	4,091	-	-	4,091
Adjustment for GDI 42	(5,864)	2,862	-	(3,002)
FFO pre corporate, administration and interest expenses / income	**53,714**	**6,438**	**59**	**60,212**
+/- corporate, administration and interest expense / income				
Interest paid	(8,157)	(3)	-	(8,161)
Interest income	218	127	-	345
Corporate and administration expenses	(2,444)	-	(4,761)	(7,205)
Income tax (expense)/benefit	-	345	-	345
Total FFO	**43,331**	**6,907**	**(4,702)**	**45,536**
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain on interest rate swaps	1,920	-	-	1,920
Net fair value gain of investment properties	69,647	-	-	69,647
Straight-lining rental income	1,528	-	(18)	1,510
Amortisation of leasing fees and incentives	(8,226)	-	-	(8,226)
Amortisation of loan establishment costs	(301)	-	-	(301)
Depreciation	-	-	(35)	(35)
Loss on sale of non-current assets	(12)	-	-	(12)
Movement in rental guarantees	(4,091)	-	-	(4,091)
Initial public offer costs	(303)	(13)	-	(316)
Other FFO adjustments	(780)	(449)	-	(1,229)
Adjustment re GDI 42	5,864	(2,862)	-	3,002
Acquisition Costs	(91)	-	-	(91)
Profit after tax from ordinary activities	**108,487**	**3,583**	**(4,754)**	**107,316**
Segment assets and liabilities				
Total assets	706,158	63,879	-	770,037
Total liabilities	(95,919)	(15,082)	-	(111,001)
Net assets	**610,239**	**48,797**	**-**	**659,036**

30 June 2016	Property $'000	Funds management $'000	Reviewed but unallocated $'000	Total $'000
Operating earnings				
Net property income	54,107	-	-	54,107
Funds management income	-	3,388	-	3,388
Other income	-	-	16	16
Total operating earnings	**54,107**	**3,388**	**16**	**57,511**
FFO adjustments				
Straight-lining rental income	(1,392)	-	2	(1,390)
Other FFO adjustments	520	-	-	520
Amortisation and depreciation	5,053	-	34	5,087
Movement in rental guarantees	2,171	-	-	2,171
Adjustment for GDI 42	(149)	892	-	743
FFO pre corporate, administration and interest expenses / income	**60,309**	**4,280**	**52**	**64,641**
+/- corporate, administration and interest expense / income				
Interest paid	(11,400)	-	-	(11,400)
Interest income	2,491	17	-	2,508
Corporate and administration expenses	(1,798)	-	(4,556)	(6,354)
Income tax (expense)/benefit	-	(248)	-	(248)
Total FFO	**49,603**	**4,048**	**(4,504)**	**49,147**
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain on interest rate swaps	390	-	-	390
Net fair value gain of investment properties	16,539	-	-	16,539
Straight-lining rental income	1,392	-	(2)	1,390
Amortisation of leasing fees and incentives	(5,053)	-	-	(5,053)
Amortisation of loan establishment costs	(1,025)	-	-	(1,025)
Depreciation	-	-	(34)	(34)
Loss on sale of non-current assets	(1,233)	-	-	(1,233)
Movement in rental guarantees	(2,171)	-	-	(2,171)
Initial public offer costs	(424)	(23)	-	(447)
Other FFO adjustments	(520)	-	-	(520)
Adjustment for GDI No. 42 Office Trust	149	(892)	-	(743)
Acquisition expenses	(8,541)	-	-	(8,541)
Profit after tax from ordinary activities	**49,107**	**3,133**	**(4,540)**	**47,701**
Segment assets and liabilities				
Total assets	892,036	60,829	-	952,865
Total liabilities	(340,196)	(15,350)	-	(355,547)
Net assets	**551,839**	**45,479**	**-**	**597,318**

NOTE 24 – COMMITMENTS

	Group		Trust	
	2017	2016	2017	2016
Commitments	$'000	$'000	$'000	$'000
Capital commitments				
Capital expenditure	61	5,356	61	5,356
Total capital commitments	**61**	**5,356**	**61**	**5,356**
Lease payable commitments				
Within one year	296	350	-	-
Later than one year but not later than five years	637	1	-	-
Later than five years	-	-	-	-
Total lease payable commitments	**933**	**351**	**-**	**-**

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

a) Reconciliation of cash from operations with profit after tax

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Net profit	107,316	47,701	108,527	47,337
Non cash movements				
Amortisation and depreciation	339	142	301	-
Amortisation of lease incentives and lease costs	8,267	5,053	8,267	5,053
Straight-lining rental income	(1,510)	(1,888)	(1,528)	(1,888)
Fair value adjustments to :				
- Investment properties	(69,647)	(16,539)	(69,647)	(16,539)
- Interest rate swaps	(1,885)	(390)	(1,885)	(390)
Gain on termination of swap	(35)	-	(35)	-
Loss on sale of non-current asset	12	1,233	12	1,233
Impairment of receivables	200	422	(90)	100
Non-cash employee benefits expense	1,769	1,532	1,693	1,465
Settlement of performance rights	(1,327)	-	(1,270)	-
(Increase)/decrease in				
Trade and other receivables	(178)	283	261	(417)
Other assets	291	(436)	268	(519)
Trade and other payables	(56)	(1,051)	100	(1,428)
Provisions	(124)	(29)	-	-
Other liabilities	-	(10)	-	-
Deferred tax	(345)	248	-	-
Net cash provided by operating activities	**43,085**	**36,271**	**44,975**	**34,007**

b) Credit standby facilities with bank

Refer to Note 17 for details of unused finance facilities.

NOTE 26 – KEY MANAGEMENT PERSONNEL COMPENSATION

Refer to the remuneration report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2017 and 30 June 2016.

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

a) Key management personnel compensation

	Group		Trust	
	2017	2016	2017	2016
KMP compensation	$'000	$'000	$'000	$'000
Short term employee benefits	2,918	2,763	-	-
Post employment benefits	177	176	-	-
Other long term benefits	31	19	-	-
Security-based payments	1,684	1,300	1,684	1,244
Total KMP compensation	**4,810**	**4,259**	**1,684**	**1,244**

Short term employee benefits

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

Post-employment benefits

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

Other long term benefits

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

Security-based payments

These amounts represent the expense accrued for the participation of KMP in the performance rights plan as disclosed in Note 30 and the issue of performance rights for the year ended 30 June 2017 and 30 June 2016.

b) Equity instrument disclosure relating to key management personnel

	Securities held at 30 June 2015	Securities acquired during the year	Securities held at 30 June 2016	Securities granted as part of a performance rights plan	Securities acquired / (sold) during the year	Securities held at 30 June 2017
Directors						
Graham Kelly	100,000	100,000	200,000	-	50,000	250,000
Steve Gillard	30,300,000	-	30,300,000	-	-	30,300,000
Gina Anderson	60,000	10,000	70,000	-	-	70,000
Les Towell	1,061,595	-	1,061,595	-	-	1,061,595
John Tuxworth[1]	-	-	55,200	-	-	55,200
Other key management personnel						
David Williams[2]	200,000	-	200,000	350,000	-	550,000
John Garland[2]	22,500	-	22,500	350,000	(85,000)	287,500
Paul Malek[2]	25,000	10,000	35,000	200,000	-	235,000
Greg Marr[2]	5,326	-	5,326	100,000	-	105,326

1. John Tuxworth was appointed as a Director on 20th February 2017 and held 55,200 securities at the time.
2. Securities granted were in satisfaction of performance rights that were issued as part of the Initial Public Offer and vested three years following the Initial Public Offer, the principle condition of which was to remain in employment or be a 'good leaver'.

NOTE 27 – RELATED PARTY TRANSACTIONS

Related parties for GDI Property Group

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 and director (whether executive or otherwise) of that entity, are considered key management personnel. For details of disclosures relating to key management personnel, refer to Note 26 and the Remuneration Report contained in the Directors' Report.

(ii) Entities exercising control over the Group:

The ultimate parent entity that exercises control over GDI Property Group 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 2017

a) Consultancy Deed

Mr Veale entered into a Consultancy Deed with GDI Funds Management Limited to act as a responsible manager and key person under GDI Funds Management Limited's AFS Licence. During the year, GDI Funds Management Limited varied its AFSL to have the key person requirement removed, and subsequently, Mr Veale retired as a responsible manager. Mr Veale did not receive any fees for providing this service. As at 30 June 2017, Mr Veale is no longer a related party.

b) External Funds

GDI Investment Management Pty Limited provided administrative services in relation to assets owned by associates of Mr Veale. GDI Investment Management Pty Limited was paid $36,656 for these services, equivalent to an annual fee of 0.65% of gross assets and a disposal fee of 1%. As at 30 June 2017, Mr Veale is no longer a related party.

There are no other transactions with KMP in the year ended 30 June 2017.

Transactions with related parties in the year ended 30 June 2016

c) Consultancy Deed

Mr Veale has entered into a Consultancy Deed with GDI Funds Management Limited to act as a responsible manager and key person under GDI Funds Management Limited's AFS Licence. Mr Veale did not receive any fees for providing this service.

d) External Funds

GDI Income Property Fund No. 28 is jointly owned by associates of Mr Gillard and Mr Veale. GDI Investment Management Limited, pursuant to an administration services agreement, provided administration services to the trustee of GDI Income Property Fund No. 28. GDI Investment Management Pty Limited was paid $68,750 for the period to 30 June 2016. The administration services agreement terminated on the sale of the asset in May 2016.

GDI Investment Management Pty Limited also provided administrative services in relation to three assets owned by associates of Mr Veale. GDI Investment Management Pty Limited was paid $98,943 for these services, equivalent to an annual fee of 0.65% of gross assets and a disposal fee of 1.00%.

There are no other transactions with KMP in the year ended 30 June 2016.

Related parties for GDI Property Trust

a) Identification of related parties

(i) Responsible Entity, Investment Manager and Custodian

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

(ii) Key management personnel

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

- Graham Kelly
- Gina Anderson
- Les Towell
- John Tuxworth (appointed 20 February 2017)
- Steve Gillard
- Tony Veale (retired 20 February 2017)

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 2017 the Responsible Entity charged $120,000 (2016: $620,000), with no balance owing as at 30 June 2017.

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

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

NOTE 28 – CAPITAL AND FINANCIAL RISK MANAGEMENT

Capital risk management

GDI Property Group'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 Property Group reviews both commercial and regulatory considerations:

Commercial	Regulatory
• The underlying real estate fundamentals • The relative cost and availability of debt and equity • Forecast cash flows and capital expenditure requirements • Current and future debt covenants • Financial risk management	• Need to comply with the capital and distribution requirements of GDI Property Trust's trust deed • Need to comply with the capital requirements of relevant regulatory authorities and licences.

GDI Property Group's Gearing Policy is to target a Loan to Value ratio of less than 40%. GDI Property Group 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	2017	2016	Bank covenant	2017	2016
LVR[1]	< 40%	8%	32%	< 50%	8%	36%
ICR[2]	> 2.5X	5.4X	4.6X	> 2X	5.4X	4.6X

1. Bank covenant LVR is total debt (including net derivative exposures) divided by the value of the properties as determined by the last independent valuation.
2. Bank covenant ICR is EBIT/Interest expense and for the year ended 30 June 2017, Initial Public Offer costs and acquisition expenses have been reversed from the EBIT calculation.

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

The gearing ratio as at 30 June 2017 of the Group and Trust was 8% (2016: 32%) and 8% (2016: 33%) respectively (as detailed below).

		Group		Trust	
		2017	2016	2017	2016
Net debt and adjusted assets	Note	$'000	$'000	$'000	$'000
Total borrowings		79,899	320,116	79,757	319,974
Less: cash and cash equivalents		(23,113)	(28,394)	(21,620)	(25,469)
Net debt		**56,786**	**291,722**	**58,137**	**294,505**
Total assets		770,037	952,865	749,401	930,693
Less: intangible assets and deferred tax assets		(19,368)	(19,023)	-	-
Less: cash and cash equivalents		(23,113)	(28,394)	(21,620)	(25,469)
Adjusted assets		**727,556**	**905,448**	**727,781**	**905,224**
Gearing ratio		**8%**	**32%**	**8%**	**33%**

Financial risk management

The financial risks that result from GDI Property Group's activities are credit risk, liquidity risk, refinancing risk and market risks (interest rates). GDI Property Group manages it 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 Property Group'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 follows:

See Note 1(m) for how GDI Property Group 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 the Group or Trust.

Credit risk arises principally from GDI Property Group's and the Trust's receivables from customers and amounts due from the leasing of premises in accordance with lease agreements with property tenants. The Group 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 Property Group does business with them. The Group 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. The Group 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 past due 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 past due nor impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 7.

The aging analysis of receivables past due balance but not impaired is shown below:

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
One - three months	374	467	374	467
Three - six months	339	-	339	-
Over six months	-	-	-	-
	713	**467**	**713**	**467**

b) Liquidity risk

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

GDI Property Group 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 Property Group's policy to maintain sufficient funds in cash and undrawn finance facilities to meet the expected near term operational requirements.

GDI Property Group 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 Property Group is 1.41 years (2016: 2.03 years).

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

	Group		Trust	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Due within one year	30,619	43,632	29,414	42,341
Due between one and five years	81,326	338,746	81,326	338,746
Due after five years	-	-	-	-
	111,945	**382,378**	**110,740**	**381,087**

c) Market risk

i. Interest rate risk

GDI Property Group's interest rate risk primarily arises from borrowings. Borrowings issued at variable rates expose GDI Property Group to cash flow interest rate risk. Borrowing issued at fixed rates expose GDI Property Group to fair value interest rate risk. GDI Property Group's policy is to maintain hedging arrangements on not less than 50% of drawn borrowings through the use of derivative contracts and/or other arrangements and to diversify the maturity dates of those fixed rate arrangements. At balance date, 81% (2016: 47%) of GDI Property Group's primary facility's borrowings were effectively hedged. None of the debt of GDI No. 42 Office Trust is hedged.

GDI Property Group manages 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 Property Group raises long term borrowings at floating rates and hedges a portion of them into fixed or capped rates. Under the interest rate derivatives, GDI Property Group 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.

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

At balance date, the expiry profile of GDI Property Group's interest rate derivatives is shown below:

	Notional Principal $'000	Effective average fixed rate %
Expiry December 2018 (FY19)	40,000	3.84%
Average	**40,000**	**3.84%**

Because GDI Property Group'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.

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

Sensitivity

At balance date, if interest rates for all relevant time periods had changed by +/- 100 basis points (1%) from the year/ period ended 30 June 2017 and 30 June 2016 rates with all other variables held constant, profit would have been higher/ (lower) as shown below:

	+1%		-1%		+1%		-1%	
Sensitivity to interest rates	Group 2017 $'000	Trust 2017 $'000	Group 2017 $'000	Trust 2017 $'000	Group 2016 $'000	Trust 2016 $'000	Group 2016 $'000	Trust 2016 $'000
Impact on interest income	(95)	(95)	129	112	(56)	(67)	78	67
Impact on interest expense	(1,461)	(1,461)	1,073	1,073	(1,985)	(1,985)	1,991	1,991
Impact of valuation of interest rate derivatives	488	488	(1,519)	(1,519)	2,246	2,246	(2,295)	(2,295)
	(1,068)	**(1,068)**	**(318)**	**(335)**	**205**	**194**	**(225)**	**(237)**

NOTE 29 – FAIR VALUE MEASUREMENTS

a) Valuation techniques

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

b) Financial instruments

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

	30 June 2017		30 June 2016	
	Carrying Amount $'000	Fair Value $'000	Carrying Amount $'000	Fair Value $'000
Financial assets				
Cash and cash equivalents	23,113	23,113	28,394	28,394
Trade and other receivables	3,122	3,122	3,144	3,144
Total financial assets	**26,234**	**26,234**	**31,538**	**31,538**
Financial liabilities				
Trade and other payables	29,605	29,605	30,699	30,699
Provisions	302	302	426	426
Borrowings	79,899	79,899	320,116	320,116
Derivative financial instruments	1,195	1,195	4,288	4,288
Total financial liabilities	**111,001**	**111,001**	**355,529**	**355,529**

c) Fair value hierarchy

The Group 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.

The Group 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.

The following tables provide the fair values of the Group 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 2017			As at 30 June 2016		
	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**
Recurring fair value measurements						
Non-financial assets						
- Investment properties	-	499,628	-	-	900,478	-
Total non-financial assets recognised at fair value on a recurring basis	**-**	**499,628**	**-**	**-**	**900,478**	**-**
Financial liabilities						
- Interest rate swaps	-	1,195	-	-	4,288	-
Total financial liabilities recognised at fair value on a recurring basis	**-**	**1,195**	**-**	**-**	**4,288**	**-**

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

	30 June 2017 $'000	**30 June 2016 $'000**	**Valuation technique**	**Inputs Used**
Financial assets/liabilities				
Interest rate swaps	(1,195)	(4,288)	Income approach using discounted cash flow methodology	BBSY swap rate
Non-financial assets				
Investment properties[1]	499,628	900,478	Market approach using discounted cash flow, rent capitalisation and recent observable market data methodologies	Comparable discount rates, capitalisation rates and price per square metres of NLA

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

e) Sensitivity information

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

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

NOTE 30 – SECURITY-BASED PAYMENTS

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

a) Retention performance rights

GDI Property Group offered 1.5 million performance rights to people who are employed by a member of GDI Property at the time the performance rights plan was established. The sole performance condition attaching to these performance rights is that the employee remains employed by a member of GDI Property Group for three years from completion of the IPO (16 December 2016). The Managing Director did not participate in this issue of performance rights. During the period, all 1.5 million performance rights vested.

b) STI performance rights

For the year ended 30 June 2017, the Board determined that 50% of any STI granted to a KMP would be by way of performance rights where the sole performance condition is that the employee remains employed by a member of GDI Property Group for three years from the conclusion of the performance period (30 June 2020). As these performance rights had not been issued at 30 June 2017, the Group has recognised in the financial statements the fair value of the performance rights as an accrual with the cost expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The total number of STI performance rights to be issued for 30 June 2017 will be 609,146, with 279,878 granted to the Managing Director subject to securityholder approval.

c) LTI performance rights

For the year ended 30 June 2017, GDI Property Group intends to offer 1,806,094 performance rights to all staff, with 765,460 offered to the Managing Director subject to securityholder approval. As these performance rights had not been issued at 30 June 2017, the Group has recognised in the financial statements the fair value of the performance rights as an accrual with the cost expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The performance conditions that relate to the LTI performance rights for previous years and the year ended 30 June 2017are identical and are summarised below:

Number of LTI performance rights		Performance condition
Relating to previous years	Relating to FY17 year	
2,497,958	903,047	Relative performance (stapled security price movement + distributions) versus a peer group
2,497,958	903,047	Total return (NTA growth + distributions) vs internal benchmark

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 2017		
	STI PR (Retention)	Relative return PR	Total return PR	STI PR (Retention)	Relative return PR	Total return PR
Issue size	1,361,914	2,497,958	2,497,958	609,146	903,047	903,047
Exercise price	$nil	$nil	$nil	$nil	$nil	$nil
Life	3 years	3 years	3 years	3 years	3 years	3 years
Initial valuation methodology	Black-Scholes option pricing	Binomial option pricing	Black-Scholes Option pricing	Black-Scholes option pricing	Binomial 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	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% - 20%	N/A	N/A	16%	N/A
Risk-free interest rate	N/A	2% - 3%	N/A	N/A	2%	N/A
Valuation	$1,197,188	$964,963	$2,206,319	$624,375	$428,135	$925,623

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

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 expensed in year/period

30 June 2017	Retention PR $'000	FY14 LTI $'000	FY15 STI/LTI $'000	FY16 STI/LTI $'000	FY17 STI $'000	FY17 LTI $'000	Total $'000
Group	317	87	525	476	156	338	1,900
Trust	303	83	502	455	149	324	1,818

30 June 2016	Retention PR $'000	FY14 LTI $'000	FY15 STI/LTI $'000	FY16 STI $'000	FY16 LTI $'000	Total $'000
Group	443	87	525	122	354	1,532
Trust	424	83	502	117	339	1,465

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

NOTE 31 – CONTROLLED ENTITIES

The Company's investment in controlled entities is shown below:	Principal place of business	2017	2016
Entities controlled by the Company (Parent Entity)			
GDI Funds Management Limited	Sydney, Australia	100%	100%
GDI Investment Management Pty Limited	Sydney, Australia	100%	100%
GDI Investor Pty Limited	Sydney, Australia	100%	100%
GDI No. 27 Pty Limited	Sydney, Australia	100%	100%
GDI No. 28 Pty Limited	Sydney, Australia	100%	100%
GDI No. 29 Pty Limited	Sydney, Australia	100%	100%
GDI No. 35 Pty Limited	Sydney, Australia	100%	100%
GDI No. 37 Pty Limited	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. 39 Pty Limited	Sydney, Australia	100%	100%
GDI No. 40 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%	-

The Trust's investment in controlled entities is shown below:	Principal place of business	2017	2016
Entities controlled by GDI Property Trust (Head Entity with the Trust)[1]			
GDI Premium Office Trust	Sydney, Australia	-	100%
GDI No. 35 Perth Prime CBD Office Trust	Sydney, Australia	100%	100%
GDI No. 37 Trust	Sydney, Australia	100%	100%
GDI No. 39 Trust	Sydney, Australia	100%	100%
GDI No. 41 Trust	Sydney, Australia	100%	100%
GDI No. 42 Office Trust	Sydney, Australia	44%	44%

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 the Group as required under accounting standards, refer to Note 1(b). Controlled entity financial statements used in the preparation of these consolidated financial statements have also been prepared as at the same reporting date as the Group's and the Trust's financial statements.

NOTE 32 – AUDITORS' REMUNERATION

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

	Group		Trust	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Audit services				
Auditing or reviewing financial reports	133	129	97	128
Auditing of controlled entity's AFS Licence	4	3	4	-
Auditing of controlled entity's compliance plan	14	14	-	14
	150	146	94	142
Other services				
Provision of tax advice	128	82	1	72
Total	**278**	**228**	**95**	**214**

NOTE 33 – BUSINESS COMBINATIONS

30 June 2017

Neither the Group or the Trust undertook any business combinations during the year ended 30 June 2017.

30 June 2016

Neither the Group or the Trust undertook any business combinations during the year ended 30 June 2016.

NOTE 34 – NON-CONTROLLING INTERESTS

a) Non-controlling interest – Trust

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

Movements in non-controlling interest

	Group	
	2017	2016
	$'000	$'000
Opening balance	577,023	536,247
Profit for the period	108,527	47,338
Initial contribution of equity	-	36,890
Security-based payments expense	1,693	1,512
Cash settlement transaction	(1,270)	-
On-market securities buy-back	(1,021)	(3,206)
Distributions paid/payable	(44,973)	(41,758)
Balance as at year end	**639,979**	**577,023**

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

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

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

	GDI No. 42 Office Trust	
	2017	2016
Results	$'000	$'000
Profit / (loss) for the period	15,170	(7,142)
Total comprehensive profit / (loss) for the period	**15,170**	**(7,142)**
Financial position		
Current assets	466	770
Total assets	99,466	89,270
Current liabilities	876	223
Total liabilities	31,719	30,912
Net assets	**67,747**	**58,358**
Contributed equity	65,500	65,500
Retained earnings	2,247	(7,142)
Total equity	**67,747**	**58,358**

NOTE 35 – CONTINGENT LIABILITIES

Other than the above, the Group and Trust had no contingent liabilities as at 30 June 2017 and as at 30 June 2016.

NOTE 36 – EVENTS AFTER THE REPORTING DATE

On 17 August 2017, GDI Property Group announced that it had exchanged contracts to sell 66 Goulburn Street, Sydney, for $252.0 million, which after settlement adjustments and other selling costs will net GDI Property Group approximately $228.0 million, a $92.0 million premium over the July 2014 acquisition price of $136.0 million and a $5.0 million premium to the 30 June 2017 independent valuation of $223.0 million. Settlement is expected to occur on or around 19 October 2017 and is conditional on Foreign Investment Review Board approval.

On 18 August 2017, GDI Property Group announced that it had exchanged conditional contracts to acquire 6 Sunray Drive, Innaloo, Perth, for $143.5 million. 6 Sunray Drive comprises over 30,000sqm of NLA and is home to Perth's only IKEA store, with the property also containing four peripheral sites leased to other retailers. On satisfaction of the conditions, GDI Property Group intends to establish GDI No. 43 Property Trust and seek to raise approximately $96.0 million.

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

Directors' Declaration
For the period ended 30 June 2017

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 38 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 2016 and of the performance for the period ended on that date;

(b) there are reasonable grounds to believe that GDI Property Group 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 and GDI Funds Management Limited.

Graham Kelly
Chairman

Dated this 21st day of August 2017

HALL CHADWICK (NSW)
Chartered Accountants and Business Advisers

SYDNEY
Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
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INDEPENDENT AUDITOR'S REPORT
TO THE SECUTRITY HOLDERS OF GDI PROPERTY GROUP LIMITED
TO THE UNITHOLDERS OF GDI PROPERTY TRUST

Opinion

We have audited the accompanying financial report of GDI Property Group Limited, which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss, consolidated statement of 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 of the Consolidated Entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

In our opinion:

(a) the accompanying financial report of the Consolidated Entity is in accordance with the *Corporations Act 2001*, including:
   i. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
   ii. complying with Australian Accounting Standards and the *Corporations Regulations* 2001

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a).

Basis of Opinion

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

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

Key Audit Matters

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

HALL CHADWICK (NSW)

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

Carrying value of investment properties $499,628 Million	Our procedures included, amongst others:
Refer to Note 10 Investment properties Investment property is property which is held either to earn income or for capital appreciation or both. Investment property also includes properties that are under construction for future use as investment properties. Investment property is measured at fair value, with acquisition and other related costs written off through the profit and loss. As part of the process of determining fair value, an external, independent valuer, having an appropriate recognised professional qualification and recent experience in the location and category of property being valued, values individual properties annually on a rotation basis or on a more regular basis if considered appropriate and as determined by management and the Board in accordance with the valuation policy of GDI Property Group. Critical judgements are made by the 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. Then critical assumptions underlying management's estimates of fair values are those relating to the passing rent, market rent, occupancy, capitalisation rate, terminal yield and discount rate. If there is any change in these assumptions or regional, national or international economic conditions, the fair value of the property investments may differ. Management has a policy of engaging independent specialists to perform external valuations of the property portfolio annually on a rotation basis or more frequently if market conditions are volatile. Director's valuations are carried out on properties that are not independently valued due to the rotation timetable. We have focussed on this area as a key audit matter due to amounts involved being material and the inherent subjectivity associated with critical judgements being made in relation to fair values of investment properties.	We have reviewed external valuation reports, assumptions and management's controls around external valuations. This included review of critical assumptions related to cash flow items such as income support and rental guarantees adopted in valuing the investment properties. We have reviewed the internal valuation process including critical assumptions related to cash flow items such as income support and rental guarantees adopted in valuing the investment properties. We performed procedures on the reconciliation between the opening balance and the closing fair value adopted and that the movements are recorded in the appropriate general ledger accounts. We have discussed with management to confirm their views on assumptions adopted in the valuations. We assessed managements' assumptions by giving due consideration to industry issues and other external factors. We have held general discussions with management to address any residual issues including identifying properties available for sale.

HALL CHADWICK (NSW)

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

Carrying value of Intangible Assets $18.11 million	Our procedures included, amongst others:
Refer to Note 14 Intangible Assets The Group acquired from the privately owned GDI group of companies the rights, title and interest in the fund management business, and the shares of the operating companies for a goodwill consideration of $18.11million. The value in use was calculated based on present value of the forecast profit after tax from funds established since acquisition of the funds management business and new funds to be established over a five year term, with a terminal value applied in the sixth year profit after tax. We have focussed on this area as a key audit matter due to amounts involved being material and the inherent subjectivity associated with critical judgements being made in relation to forecast future revenue and costs; discount rates; and terminal growth rates.	We evaluated management's goodwill impairment assessment and tested controls of the review of forecasts by management. We obtained the Group's value in use model and the agreed amount to a combination of budgets and future plans. Key inputs in the value in use model included forecast revenue, costs, discount rates and terminal growth rates. We corroborated some of those assumptions by comparing forecasts to historical fee income earned and costs incurred. We involved our valuation specialists to recalculate management's discount rates based on external data where available. The valuation specialists were also involved in assessing the value in use model used for valuation methodology including 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; fee income; terminal growth; and discount rate. We assessed the Group's disclosures of the quantitative and qualitative considerations in relation to the valuation of goodwill, by comparing these disclosures to our understanding of the matter.

HALL CHADWICK (NSW)

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

Carrying value of Borrowings $72,899 million **Refer to Note 17 Borrowings**	**Our procedures included, amongst others:**
The purchase of buildings is typically funded through a combination of cash generated from capital raising and borrowings from financial institutions. At 30 June 2017, GDI has a borrowing liability of $79,899 million representing 72% of total liabilities. Borrowings as a percentage of the relevant investment property 100% at 30 June 2017. The borrowings terms and conditions are detailed in note 17. Given the size of the borrowings balance, the accounting for Group's borrowing is considered to be a key audit matter.	Obtained confirmation from the Group's banks to confirm all borrowings, including amounts, tenure and conditions. We read the most up-to-date agreements between GDI and its financiers to understand the terms associated with the facilities and the amount of facility available for drawdown.

Other Information

The directors are responsible for the other information. The other information comprises the information in the Consolidated Entity's annual report for the year ended 30 June 2017, 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.

Director's Responsibility for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with 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 Note 1, the directors also state, in accordance with Australian Accounting Standards AASB 101 Presentation of Financial Statements, that the financial report complies with International Financial Reporting Standards.

HALL CHADWICK (NSW)

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

In preparing the financial report, the directors are responsible for assessing the Consolidated Entity'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 the Consolidated Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. 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 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 Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We 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 the Consolidated Entity'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 the Consolidated Entity to cease to continue as a going concern.

HALL CHADWICK (NSW)

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

We 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 matter that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Consolidated Entity to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Consolidated Entity 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.

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. 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

Report on the Remuneration Report

We have audited the remuneration report included in pages13 to 27 of the directors' report for the year ended 30 June 2017.

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.

Opinion

In our opinion the remuneration report of GDI Property Group Limited for the year ended 30 June 2017 complies with s 300A of the *Corporations Act 2001*.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

SKumar

SANDEEP KUMAR
Partner
Dated: 21 August 2017

SECURITYHOLDER INFORMATION

Spread of securities as at 1 September 2017

Range	Number of securities	Percentage of Securities %	Number of holders	Percentage of Holders %
1 to 1,000	27,324	0.01	131	7.3
1,001 to 5,000	392,722	0.07	114	6.35
5,001 to 10,000	1,304,923	0.24	155	8.64
10,001 to 100,000	40,098,553	7.47	1,004	55.93
100,001 and over	494,855,021	92.21	391	21.78
Total	**536,678,543**	**100.00**	**1,795**	**100.00**
Unmarketable Parcels	397	0.00	99	5.52
Total	**536,678,543**	**100.00**	**1,795**	**100.00**

Top 20 securityholders as at 1 September 2017

Rank	Name	Number of securities	Percentage of issued securities %
1	J P Morgan Nominees Australia Limited	90,785,766	16.92
2	Citicorp Nominees Pty Limited	76,664,457	14.28
3	HSBC Custody Nominees (Australia) Limited	73,754,198	13.74
4	HSBC Custody Nominees (Australia) Limited - A/C 2	43,494,459	8.10
5	BnP Paribas Noms Pty Ltd	21,318,037	3.97
6	Kindol Pty Ltd	11,000,516	2.05
7	RBC Investor Services Australia Nominees Pty Limited	10,808,900	2.01
8	National Nominees Limited	10,781,131	2.01
9	Gillard Ventures Pty Limited	9,307,221	1.73
10	BnP Paribas Nominees Pty Ltd	8,309,489	1.55
11	WEC Enterprises Pty Ltd	6,328,640	1.18
12	M Nesbitt Super Pty Ltd	5,600,000	1.04
13	Kindol Pty Ltd	3,165,708	0.59
14	RBC Investor Services Australia Nominees Pty Limited	2,657,020	0.50
15	Mr Timothy Harold Eustace	2,199,448	0.41
16	RBC Investor Services Australia Nominees Pty Ltd	2,135,920	0.40
17	Haul-Away Rubbish Co Pty Ltd	1,770,001	0.33
18	Secure Super Nominees Pty Ltd	1,650,000	0.31
19	JWH Nominees Pty Ltd	1,500,000	0.28
20	Terry Tyrell Pty Ltd	1,453,757	0.27
	Total	**384,684,668**	**71.68**
	Balance of register	**151,993,875**	**28.32**
	Grand total	**536,678,543**	**100.00**

Voting rights attaching to each class of equity securities

The voting rights attached to each stapled security is that on a show of hands, each member present in person or proxy has one vote, and upon a poll, each stapled security shall have one vote.

SECURITYHOLDER INFORMATION

Substantial holders as at 1 September 2017

Substantial holder	Securities	%
Ellerston Capital Limited	43,074,941	8.01
The Vanguard Group, Inc	38,564,421	7.16
Auscap Asset Management Limited	35,220,000	6.55
Steve Gillard	30,443,437	5.67
SG Hiscock & Company	28,950,606	5.38

Notice under section 601GCB of the *Corporations Act 2001* (Cth)
GDI Property Trust (ARSN 166 598 161) (the Trust)

This notice is published by GDI Funds Management Limited ACN 107 354 003 ("**Responsible Entity**") under section 601GCB of the *Corporations Act 2001* (Cth) as modified by ASIC Instrument 2016/489 to inform members of the Trust that the Responsible Entity has amended the constitution for the Trust ("**Constitution**"). The amendments are in connection with the new tax regime applying to managed investment trusts which satisfy the requirements to be AMITs, which was introduced by the *Tax Laws Amendment (A New Tax System for Managed Investment Trusts) Act 2016* (Cth) ("**AMIT Regime**").

Details of the AMIT Regime and the amendments to the Constitution are set out below.

The Responsible Entity has determined that the Trust adopted the AMIT Regime for the financial year commencing on 1 July 2016.

AMIT Regime

The AMIT Regime is a new set of rules for the taxation of managed investment trusts and their members. One of the aims of the AMIT Regime is to provide greater certainty than the current rules in relation to the taxation position for managed investment trusts and their members.

One key aspect under the AMIT Regime is that the Responsible Entity must allocate or "attribute" the taxable income of the Trust to members on a fair and reasonable basis. Currently, members are subject to tax on their proportionate share of the taxable income of the Trust based on the share of the income of the Trust to which they are presently entitled according to trust law principles.

The AMIT Regime may provide the following potential benefits for members of an AMIT:

- Greater clarity and certainty associated with the tax treatment of distributions and the character of income and capital of the AMIT, in contrast to the current "present entitlement" regime; in particular, a removal of the potential for double taxation that may arise for members where there are mismatches between the amount distributed and the taxable income of the AMIT;
- If a variance is discovered between the amounts actually attributed to members for an income year, and the amounts that should have been attributed, the variance can be attributed in the income year in which it is discovered by the Responsible Entity, rather than amending previous years' tax returns and notifying members of those amendments.
- An AMIT will be deemed to be a "fixed trust" and members will be treated as having vested and indefeasible interests in the income and capital of the AMIT throughout the income year, which can be relevant for:
  - utilising trust losses; and
  - applying the franking credit provisions.
- Where members receive a distribution of cash that is less than their allocated share of the taxable trust components, members will be entitled to make upward adjustments to the cost base of their units in the AMIT.

The amendments to the Constitution

The amendments to the Constitution have enabled the Responsible Entity to operate the Trust under the AMIT Regime. Details of these amendments are summarised in the table below.

A copy of the Constitution including the proposed changes is available on request from the Responsible Entity.

AMIT REGIME

Constitution clause	Description of the amendment
Clause 15.2	**Standing principles** A new clause 15.2 provides the principles which the Responsible Entity is to use in calculating distributable income whilst the Trust is an AMIT.
Clause 15.5	**Accumulation** A new clause 15.5 allows the Responsible Entity to accumulate or carry forward amounts that may otherwise have had to be distributed annually.
Clause 15.21	**Liability** Clause 15.21, which states that the Responsible Entity does not incur any liability as a result of an exercise of any power or discretion in relation to distributions, has been amended to specifically cover powers or discretions under the AMIT Regime.
Various	**AMIT Regime** Several new clauses have been inserted which contain the provisions for the operation of the Trust as an AMIT under the AMIT Regime, including to: • provide for the Responsible Entity to elect into the AMIT regime (*clause 17.11)*; • facilitate the exercise of Responsible Entity's powers in relation to "unders and overs" of the Trust, in the manner permitted by the AMIT Regime (*clause 15.17)*; • provide for the attribution of taxable income in a manner consistent with the requirements of the *Income Tax Assessment Act 1997* (Cth) (which includes the requirement for attribution among members to be worked out on a fair and reasonable basis) (*clause 15.15)*; • provide machinery in relation to the exercise of the rights afforded to members under the AMIT regime to object to the attribution. It also requires members to indemnify the Responsible Entity against costs and liabilities incurred in that process and to acknowledge that their rights may be impacted by the exercise of other members' objection rights (*clause 15.16*); and • provide for each member to indemnify the Responsible Entity in relation to any tax and any other costs, expenses or liabilities incurred as a result of being liable to such tax, that may become payable by the Responsible Entity under the AMIT Regime, which the Responsible Entity determines is properly referable to the member or units held by the member (*clause 24.4)*.
Clause 17.11	**Rights and powers in relation to the AMIT Regime** A new clause 17.11 has been inserted which provides the rights and powers the Responsible Entity has in relation to the operation of the Trust as an AMIT.
Incidental changes	Additional incidental changes have been made to the Constitution to facilitate the proposed amendments, for example, to include specific definitions referable to the AMIT Regime in clause 1 ("*Definitions and Interpretation*") of the Constitution.

Notes

Notes

Corporate Directory

GDI Property Group Limited
ACN 166 479 189

GDI Property Trust
ARSN 166 598 161

Responsible Entity of GDI Property Trust
GDI Funds Management Limited

ACN 107 354 003
AFSL 253142

Directors of GDI Property Group Limited and the Responsible Entity

Graham Kelly, Chair
Steve Gillard, MD
Gina Anderson
Les Towell
John Tuxworth

Secretaries of GDI Property Group Limited and the Responsible Entity

David Williams
Paul Malek

Registered office of GDI Property Group Limited and the Responsible Entity

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Auditors

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Security registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

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Fax: +61 2 9287 0303
Email: registrars@linkmarketservices.com.au
www.linkmarketservices.com.au

Open Monday to Friday between 8.30am and 5.30pm (EST).

For enquiries regarding security holdings, contact the security registry.

For other enquiries regarding GDI Property Group contact:
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www.gdi.com.au

Australian Securities Exchange
ASX Code: GDI

GDI
PROPERTY GROUP