

Rule 4.3A

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

The Appendix 4E should be read in conjunction with the annual financial report of GDI Property Group for the period ended 30 June 2014.

**1. GDI Property Group**

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

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

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

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

**2. Reporting period**

The financial information contained in this report is for the period from 16 December 2013 to 30 June 2014. As this is the first set of financial reports, there is no comparative information.

**3. Highlights of the results**

GDI Property Group	30 June 2014
	\$m
Revenue from ordinary activities	38.0
Comprehensive net profit attributable to security holders after tax	12.9
Funds from operations (FFO <sup>1</sup> )	22.2
Distribution to security holders	(19.9)
	Cents
Funds from operations per security	3.91
Distributions per security for the period ended 30 June 2014	3.50
Payout ratio (distributions as a % of FFO)	89.6%
Basic and diluted earnings per security <sup>2</sup>	2.28
	\$m
Total assets	740.0
Total borrowings	169.3
Security holders equity	544.2
Market capitalisation as at 30 June 2014	516.5

	\$ per Unit
Net tangible assets per security	0.93
Security price as at 30 June 2014	0.91
Securities on issue ('000)	567,575,025
Record date	26 June 2013
Payment date	29 August 2013

- 1 FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. GDI Property Group also adjusts funds management fees charged that remain unpaid from its calculation of FFO. A reconciliation of total comprehensive income for the period to FFO is provided at page 4, section 1.3 of the Directors' Report.
- 2 This calculation is based on the comprehensive profit attributable to stapled security holders of GDI Property Group.

#### 4. Commentary on the results

Refer to the Directors' Report of the 2014 annual financial report for a commentary on the results of the Group.

#### 5. Dividend/distribution reinvestment plan

No distribution reinvestment plan was operated by GDI Property Group.

#### 6. Changes in control over group entities

GDI Property Group was established on 16 December 2013 by the stapling of the Company and the Trust. The stapling was part of a broader transaction involving, amongst others as follows:

- an initial public offer of securities;
- the acquisition by the Company of the shares in and business from GDI Funds Management Limited and GDI Investment Management Limited;
- the acquisition by the Trust of all of the units in GDI Premium Office Trust, GDI No. 34 Sydney CBD Office Trust and GDI No. 35 Perth Prime CBD Office Trust; and
- the acquisition of 307 Queen St, Brisbane.

Details of the business combinations as a consequence of the stapling and acquisitions are provided in the audited financial reports at Note 32.

#### 7. Compliance statement

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

The information contained in this Appendix 4E is based on the attached audited financial report for the period ended 2014.

# GDI Property Group

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GDI Property Group Limited  
ACN 166 479 189

Annual Financial Report  
30 June 2014

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

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# **GDI PROPERTY GROUP**

## **DIRECTORS' REPORT**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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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 period ended 30 June 2014. 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, 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 2014, the Portfolio comprised four properties in core CBD locations with a combined book value of approximately \$694 million:

- Mill Green Complex; which comprises three Buildings: 197 St Georges Terrace, 5 Mill Street and 1 Mill Street, Perth;
- 233 Castlereagh Street, Sydney;
- 25 Grenfell Street, Adelaide; and
- 307 Queen Street, Brisbane.

The Company owns an established funds business ("Funds Business") which, in addition to managing the Trust, manages unlisted and unregistered property trusts with Assets Under Management ("AUM") of approximately \$248 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;

## **GDI PROPERTY GROUP**

### **DIRECTORS' REPORT**

For the period from 5 November 2013 to 30 June 2014

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- optimising the outcome for investors in the existing unlisted property funds and therefore generating performance fees; and
- following the IPO, rebuilding 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 capital values via asset management strategies including:

- improved leasing and tenant diversity;
- selective capital improvements;
- management of outgoings; and
- incremental revenue initiatives including signage rent, additional car park income, storage, communications 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, the value has been maximised or 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 multi-tenanted, well-located CBD office properties, which are at least \$100 million in value. As announced to the ASX on 20 June 2014, GDI Property Group exchanged contracts to acquire 66 Goulburn St, Sydney for \$136 million, with the property being independently valued at \$138 million. Settlement of the acquisition occurred on 15 July 2014.

#### ***Funds management***

The Company, through wholly owned subsidiaries, manages six unlisted, unregistered managed investment schemes with total AUM of approximately \$248 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 fee income by way of:

- due diligence fees;
- funds management fees;
- performance fees;
- disposal fees; and
- other fees including leasing, project management and financing.

GDI Property Group does not intend to hold a significant ownership interest any of the unlisted funds and therefore will generate little or no income from co-investment stakes. The Company intends to continue to establish unlisted, unregistered managed investment schemes and as a consequence grow its funds management fee income.

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### 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. We use several measures to monitor the success of our overall strategy, most importantly FFO performance versus the Prospectus and Product Disclosure Statement dated 25 November 2013 ("Offer Document") and movements in NTA. 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 also adjusts funds management fees charged that remain unpaid from its calculation of FFO.

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

	Group 2014 \$'000	Offer Document \$'000	Variance \$'000
Total comprehensive income for the period	12,919	7,299	5,620
Portfolio acquisition and other transaction costs	15,480	14,086	1,394
Cash received from guarantees	2,156	2,147	9
Straight lining adjustments	(1,549)	(1,924)	376
Amortisation of debt and incentives	111	326	(215)
Net fair value gain on investment properties	(8,699)	-	(8,699)
Net fair value loss on interest rate swaps	2,228	-	2,228
Other FFO adjustments	(466)	-	(466)
Funds From Operation	22,181	21,934	247
Basic earnings per stapled security	2.28	1.29	0.99
FFO per stapled security	3.91	3.90	0.01

The principle contributors to the variance between actual and forecast FFO in the Offer Document are as follows:

	Actual \$'000	Offer Document \$'000	Over(under) performance \$'000
<b>FFO items</b>			
Property <sup>1</sup>	25,440	26,511	(1,071)
Funds management <sup>1</sup>	3,390	2,350	1,041
Operating expenses	(2,212)	(2,350)	138
Net interest expense	(4,232)	(4,623)	391
IPO costs <sup>2</sup>	(15,480)	(14,086)	(1,394)

1. Property FFO and Funds management FFO only refers to the revenue related items included / excluded from FFO. See Note 22 of the Financial Report for a detailed breakdown of all items included in the Property and Funds management segment results.

An explanation of the variances is provided below:

##### *Property FFO*

Property FFO was lower than forecast, principally due to vacancies in 197 St Georges Terrace that were assumed to be leased in the period and as disclosed to the ASX on 19 May 2014, the strategic decision to position 233 Castlereagh Street, Sydney for sale and the consequential impact on asset management strategies.

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### **DIRECTORS' REPORT**

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#### *Funds management income*

Funds management income was higher than forecast, with higher due diligence and acquisition fees more than offsetting lower disposal fees than that assumed. GDI Property Group also charged a performance fee of approximately \$649,000 to GDI No. 29 GDI Office Fund, but only \$200,000 of this has been included in FFO as the balance (approximately \$449,000) remains unpaid (a receivable).

#### *Operating costs*

GDI Property Group's operating expenses were lower than forecast, principally due to a lower headcount during the period than forecast. GDI Property Group has subsequently hired additional staff and as a consequence anticipates FY15 expenses will be as forecast in the Offer Document.

#### *Net interest expense*

Net interest expense was lower due to an average interest expense for the period of 4.89% (vs a forecast 5.2%), with the benefit slightly offset by a higher amortisation charge and lower interest income.

#### *IPO costs*

Although IPO costs expensed through the Consolidated Statement of Profit or Loss and Other Comprehensive Income were higher than forecast, the total costs of the IPO when including the amount charged directly to equity were lower than forecast. The IPO costs, including amounts expensed for the IPO related performance rights, have been reversed for the purpose of calculating FFO. The costs of the IPO related performance rights will be expensed and reversed for FFO purposed over the three year vesting period.

#### **Capital management**

The GDI Property Group balance sheet as at 30 June 2014 was in a strong position with gearing remaining low at 21%, well below the Board's maximum gearing level of 40%. That provided GDI Property Group with accretive acquisition capacity of approximately \$145 million whilst still remaining under the Board's maximum gearing policy. As disclosed to the ASX on 23 June 2014, the capacity has been utilised to acquire 66 Goulburn Street, Sydney for \$136 million, with settlement occurring on 15 July 2014 funded by a \$143 million extension to the existing bank facilities.

As at 30 June 2014, GDI Property Group had undrawn debt facilities of \$30 million. As GDI Property Group has a high degree of confidence in its ability to raise additional debt funding as and when needed to fund acquisitions, it does not intend to maintain high levels of undrawn debt facilities and pay unnecessary line fees.

GDI Property Group has no debt expiring until December 2016.

#### **Operating segment results**

##### **Property**

For the period ended 30 June 2014, GDI Property Group's property division delivered a FFO result of \$21.1 million for the period. Leasing conditions in all markets remain challenging and as discussed above, GDI Property Group did not meet its rental income forecasts for the period ended 30 June 2014.

GDI Property Group's four properties had a total book value of \$694.4 million at year end. Pursuant to GDI Property Group's valuation policy, two of the properties were valued by independent valuers at 30 June 2014, with the other two subject to internal review. The independent valuation process resulted in an increase of \$8.2 million of the Portfolio's value, noting that the internal review resulted in no change to either property's carrying value other than capital expenditure and other accounting items incurred on both.



## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

The Portfolio metrics have largely remained consistent with the Offer Document.

	Offer Document	As at 30 June 2014
Occupancy <sup>1</sup>	82.4%	84%
WALE <sup>1</sup>	3.4 years	3.3 years
Weighted average capitalisation rate <sup>2</sup>	8.15%	8.10%

1. Based on NLA, including guarantees

2. Weighted average by property valuation.

#### Funds Management

During the period ended 30 June 2014, GDI Property Group established one new unlisted, unregistered managed investment scheme, GDI No. 38 Diversified Property Trust (GDI No. 38). GDI No. 38 owns a portfolio of six industrial properties and one office property, all subject to long term leases to UGL Limited. GDI No. 38 acquired these assets in an off market transaction with UGL Limited pursuant to a sale and leaseback arrangement. GDI Property Group successfully raised approximately \$43.8 in under three weeks to complete the acquisition and establish GDI No. 38 during the period ended 30 June 2014.

The contribution of fees from establishing this fund, ongoing management and disposal fees and the payment of a performance fee meant that GDI Property Group's funds management business performed better than forecast in the Offer Document.

#### 1.4 Future prospects

GDI Property Group reaffirms the Offer Document forecasts for the FY15 financial year of FFO of 8.2 cents per stapled security and a distribution of 7.5 cents per stapled security. GDI Property Group remains committed to its strategy of generating high risk adjusted returns and has the following intentions for the period ending 30 June 2015 in relation to its two operating segments.

##### Property – existing

We believe GDI Property Group's existing Portfolio is well suited to the current challenging leasing conditions. In particular, the Portfolio comprises well located properties, has limited exposure to full floor or multi floor tenants and has floor plates that are easily divisible. In addition, GDI Property Group has limited exposure to lease expires in FY15 (7% of the Portfolio NLA).

The strategy for FY15 for each of the properties in the Portfolio is summarised below:

Asset	Strategy
Mill Green Complex, Perth	<ul style="list-style-type: none"><li>• Lease 1 Mill Street</li><li>• Finalise and execute lease agreements for remaining space in 197 St George's Terrace</li><li>• Lease remaining vacant space in 5 Mill Street</li></ul>
233 Castlereagh St, Sydney	Continue to position the asset for sale, with an objective of achieving settlement of the sale by 30 June 2015.
25 Grenfell St, Adelaide	Renegotiate lease terms for 2016 expiries to extend the property's WALE
307 Queen St, Brisbane	Continue the leasing momentum to increase occupancy to +100% (inclusive of the Guarantee)

##### Property - new

As announced to the ASX on 23 June 2014, GDI Property Group exchanged contracts to acquire 66 Goulburn St, Sydney for \$136 million. The property was independently valued at \$138 million. Settlement of the acquisition occurred on 15 July

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

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2015. GDI Property Group funded the acquisition through a \$143 million extension of its existing facility, drawn to \$139 million.

Subject to a successful sale of 233 Castlereagh St, Sydney, GDI Property Group will look to make further accretive acquisitions with a particular focus on the east coast of Australia.

#### ***Funds management***

Following the successful capital raising for GDI No. 38, GDI Property Group intends to launch two new unlisted, unregistered managed investment schemes to its wholesale and sophisticated investor base during the FY15 year.

#### ***Capital management***

Under the terms of the extension to its debt facility to finance the acquisition of 66 Goulburn St, Sydney, in the event GDI Property Group sells 233 Castlereagh Street, Sydney, it must repay at least \$75 million of bank debt. GDI Property Group will review all capital management alternatives, including but not limited to capital recycling, debt repayment, capital distributions and security buybacks for the balance of any sale proceeds.

### **1.5 Risks**

<b>Risk</b>	<b>Description</b>	<b>Risk mitigation</b>
Property values	There is a risk that the value of GDI Property Group's Portfolio, or individual assets in the Portfolio, may fall.	<ul style="list-style-type: none"><li>• GDI Property Group has a policy of obtaining independent valuations for each of its properties at least annually.</li><li>• 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.</li></ul>
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.	<ul style="list-style-type: none"><li>• GDI Property Group's Portfolio has only 7% of NLA subject to leases expiring in FY15.</li><li>• Certain vacancies at 233 Castlereagh St, Sydney and 307 Queen St, Brisbane are covered by guarantees.</li><li>• 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</li></ul>
Guarantees	233 Castlereagh Street, Sydney and 307 Queen St, Brisbane, have a number of vacancies in respect of which Guarantees will be provided. After the guarantee period in respect of each Guarantee, Net Rental Income may decrease if GDI Property Group has been unable to lease the tenancies that were subject to the relevant Guarantee.	<ul style="list-style-type: none"><li>• GDI Property Group intends to market 233 Castlereagh Street, Sydney for sale as a residential conversion opportunity prior to the Guarantees expiring</li><li>• Leasing momentum for 307 Queen St, Brisbane is such that GDI Property Group believes the guarantee will be replaced by tenancies prior to its expiry.</li></ul>
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.	<ul style="list-style-type: none"><li>• GDI Property Group does not intend to raise any additional equity capital during FY15.</li><li>• GDI Property Group does not have any debt refinancing due until FY17.</li><li>• GDI Property Group would not seek to acquire a new property unless it was able to obtain</li></ul>

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

		funding on favourable terms.
Income from Funds Business	<ul style="list-style-type: none"><li>• 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.</li><li>• GDI Property Group's ability to raise new equity for future unlisted funds may be dependent on our performance managing all the unlisted funds.</li><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• GDI Property Group has a track record of establishing new unlisted funds based on the performance of its unlisted funds</li><li>• 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.</li><li>• 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.</li></ul>
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.	<ul style="list-style-type: none"><li>• GDI Property Group has a competitive remuneration structure to retain key talent.</li><li>• Steve Gillard has reaffirmed his commitment not to terminate his employment contract before December 2016.</li></ul>
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 expenditure or other costs will not arise.	<ul style="list-style-type: none"><li>• GDI Property Group and its executives have a long track record of acquiring properties and undertaking due diligence investigations.</li></ul>
Gearing and breach of covenants	<ul style="list-style-type: none"><li>• 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).</li><li>• 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.</li></ul>	<ul style="list-style-type: none"><li>• 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.</li><li>• As at 30 June 2014, GDI Property Group has also hedged approximately 58% of its interest rate exposure, mitigating the risks of movements in interest rates.</li></ul>

## 2. Events subsequent to balance date

On 15<sup>th</sup> July 2014 GDI Property Group settled the acquisition of 66 Goulburn St, Sydney for \$136 million, funded through an extension of the existing debt facility. The property was independently valued at \$138 million.

## 3. Environmental regulation

The Directors are not aware of any particular and significant environmental regulation under a law of the Commonwealth, State or Territory relevant to the GDI Property Group.

## **GDI PROPERTY GROUP**

### **DIRECTORS' REPORT**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### **4. Directors and Company Secretary**

##### ***Directors***

###### *Independent Chairman*

Mr Graham Kelly

###### *Managing Director*

Mr Steve Gillard

###### *Non-executive Directors*

Mr Tony Veale

Mr Les Towell (Independent)

Ms Gina Anderson (Independent)

##### ***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.

###### *Mr Anthony Veale*

*Non-Executive Director*

Mr Veale served as executive chairman of GDI group between 2005 and November 2013, having jointly established GDI group in 1993. Mr Veale has been involved in launching 36 property investment projects with a total value in excess of \$1.25 billion. Prior to listing, Mr Veale was also responsible for the establishment of GDI group's unregistered managed investment schemes and promotion activities, and oversight of the operation and performance of those schemes.

###### *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.

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### ***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	3	3	2	2		
Steve Gillard	3	3				
Tony Veale	3	3	2	2	1	1
Gina Anderson	3	3			1	1
Les Towell	3	3	2	2	1	1

#### ***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	Centrebet International Limited (Joined May 2006, retired August 2011) Tishman Speyer Australia Limited (Joined October 2004, retired June 2012)
Steve Gillard	-
Tony Veale	-
Gina Anderson	-
Les Towell	-

#### ***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 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.

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### 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 table below.

###### Key Management Personnel

<i><b>Non-Executive Directors</b></i>		<i><b>Appointed</b></i>	<i><b>Term as a KMP for period</b></i>
Graham Kelly	Independent Chairman	5 November 2013	Full period
Les Towell	Independent Director	5 November 2013	Full period
Gina Anderson	Independent Director	5 November 2013	Full period
Tony Veale	Non independent Director	5 November 2013	Full period
<i><b>Managing Director</b></i>			
Steve Gillard <sup>1</sup>		5 November 2013	Full period
<i><b>Disclosed Executives</b></i>			
David Williams	Chief Financial Officer, Joint Company Secretary		Full period
John Garland	Head of Property		Full period
Paul Malek	Asset Management, Joint Company Secretary		Full period

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

# GDI PROPERTY GROUP

## DIRECTORS' REPORT

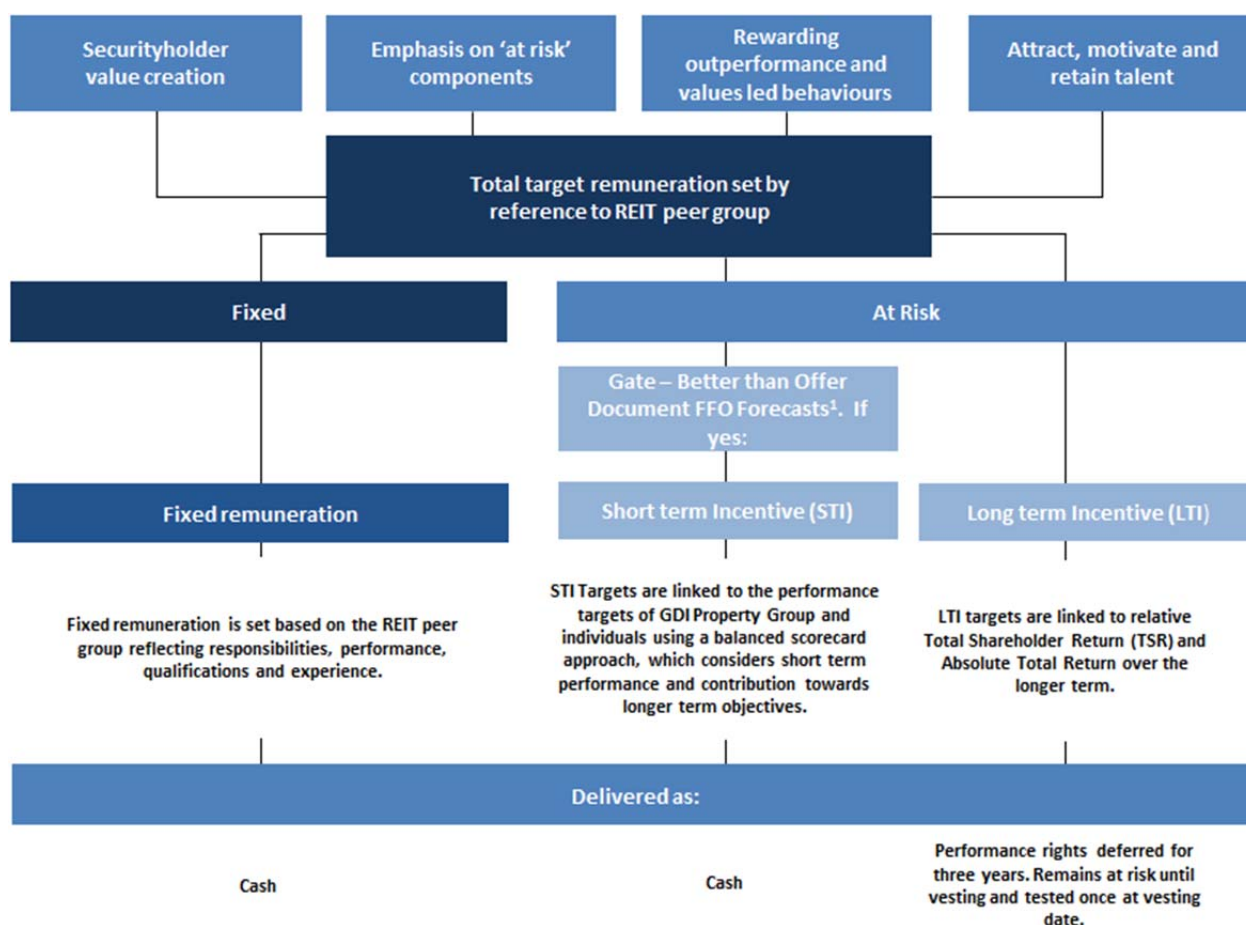
For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

### 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 entrepreneurship 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.



1. Offer Document refers to the Prospectus and Product Disclosure Statement dated 25 November 2013. 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 also adjusts funds management fees charged that remain unpaid from its calculation of FFO.

## GDI PROPERTY GROUP

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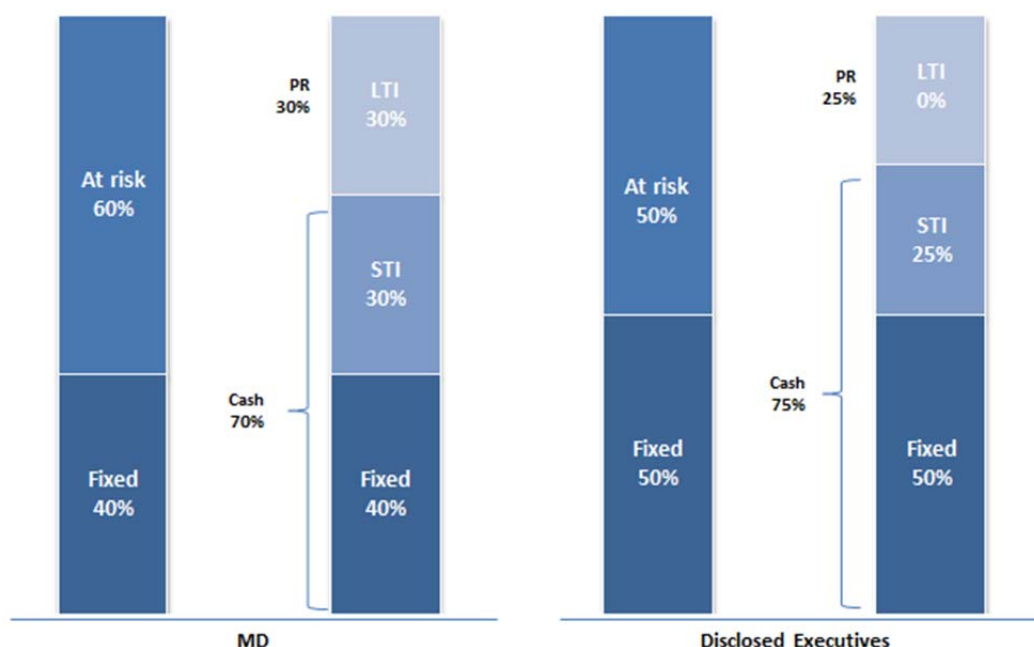
#### 5.5 The composition of remuneration at GDI Property Group

The Board aims to find a balance between:

- fixed and at-risk remuneration;
- short and long term incentives;
- 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%). The at risk component has an equal weighting of cash (STI) and performance rights (LTI). A stretch target applies to the STI for FY2015.

#### 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 cash (STI) and performance rights (LTI) applying to the at risk component. A stretch target applies to the STI for FY2015.

As at 30 June 2014, a performance rights plan was yet to be established. However, the Board intends to establish one during the year ending FY2015 and the details of the MD's and Disclosed Executive's proposed entitlement to performance rights and the vesting conditions relate to the intention to issue performance rights for the period ended 30 June 2014.

#### **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.



## GDI PROPERTY GROUP

### DIRECTORS' REPORT

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#### *At risk remuneration*

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

#### *Short term incentives (STI)*

The STI provides an annual opportunity for an incentive award. For the period ended FY2014 and the year ending FY2015, the 'gate' to any payment of an STI was / is outperforming the Offer Document forecasts in relation to Funds From Operation (FFO).

If this 'gate' is achieved, then individuals are assessed based on a balanced scorecard of measures. Many of the measures relate to longer term performance outcomes aligned to GDI Property Group's strategic objectives as well as annual goals. For the MD and Disclosed Executives, the weighting of measures in the balanced scorecard will vary to reflect the responsibilities of each role and their individual KPIs set at the commencement of each year.

#### *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 and an Absolute Total Return. GDI Property Group intends to establish a performance rights plan during the year ending FY2015 and the below conditions summarise the conditions that will apply to the performance rights granted relating to the period ended 30 June 2014.

Although no offer of performance rights has been made, the Board has advised the MD and Disclosed Executives (all wholesale investors within the meaning of 761G of the Corporations Act 2001) the value and conditions of performance rights it intends to offer them once the plan is established for the period ended 30 June 2014. Details of the intended offers are disclosed in Section 5.6 and 5.7 of this Remuneration Report.

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#### **Proposed LTI Arrangements for the period ended 30 June 2014**

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Type of award	Performance right, being a right to acquire a stapled security at nil cost, subject to meeting time and performance hurdles. Upon exercise, each performance right entitles the MD and Disclosed Executives to one stapled security.
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The future value of the grant may range from zero to an undefined amount depending on performance against the hurdles and the security price at the time of exercise.

Grants may be satisfied by a cash equivalent payment rather than stapled securities at the Board's discretion.

Time restriction	Performance rights will be tested against the performance hurdles at the end of three years. Performance rights that do not vest due will be forfeited.
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Vesting conditions	Performance rights will be subject to two tests with an equal weighting applied to both:
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50% - Total Securityholder Return (TSR)	Vesting percentage (for TSR measure)
---	--------------------------------------

Does not reach the 50 <sup>th</sup> percentile of the TSR of the Comparator Group
---

0%
----

Reaches or exceeds the 50 <sup>th</sup> percentile of the TSR of the Comparator Group but does not reach the 75 <sup>th</sup> percentile
--

50%, plus 2% for every one percentile increase above the 50 <sup>th</sup> percentile
--

Reaches or exceeds the 75 <sup>th</sup> percentile of the TSR Comparator Group
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100%
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50% - Absolute Total Return (ATR)	Vesting percentage (for ATR measure)
Does not achieve an ATR of 10%	0%
Achieves or exceeds an ATR of 10% but does not achieve an ATR of 12%	50% up to 100% (at 12% ATR) on a straight line basis
Achieves or exceeds an ATR of 12%	100%

#### Definitions

TSR Movement in security price and distributions.

For the period ended 30 June 2014, the commencing security price is based on the 30 June 2014 security price of GDI Property Group and its Comparator Group

ATR Movement in NTA and distributions

For the period ended 30 June 2014, the commencing NTA is based on the 30 June 2014 NTA.

Comparator Group Dexus Property Group, GPT Group, Cromwell Property Group, Abacus Property Group, Investa Office Fund, 360 Capital Group, Charter Hall Group

Valuation The dollar value of the LTI grant is converted into a number of performance rights based on an independent valuation, taking into account factors including the performance conditions, security price volatility, term, distribution yield, and the security price at grant date.  
As the performance plan has yet to be established, no offer has been made to any employee to participate in the plan. However, the cost of the potential issue of performance rights for the period ended 30 June 2014 has been included in the Consolidated Statement of Profit or Loss.

#### 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, that 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

As GDI Property Group was only created through the stapling of shares in the Company to units in the Trust on 16 December 2013, the only performance considered when determining KMP remuneration is from listing, particularly in comparison to Offer Document forecasts.

	Offer Document / Listing price	Actual / 30 June 2014	Out(under) performance
Funds From Operation \$m	21.9	22.2	0.2
NTA / security	\$0.91	\$0.93	\$0.02
Dividend paid	3.5 cents	3.5 cents	-
Security price	\$1.00	\$0.91	(\$0.09)

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

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#### 5.6.1 STI outcomes

For the period ended FY2014 the 'gate' to any payment of an STI was outperforming the Offer Document forecasts in relation to Funds From Operation (FFO).

Notwithstanding the outperformance, the Board is of the view that the level of outperformance did not justify any payment of an STI to the MD or a Disclosed Executive.

#### 5.6.2 LTI outcomes

##### *No performance rights plan*

As discussed in Section 5.5 of this Remuneration Report, GDI Property Group has not established a performance rights plan. However, it intends to do so during the year ending FY2015. As a performance rights plan has not yet been established, no performance rights have been granted.

##### *Intention to grant performance rights relating to the period ended 30 June 2014*

Once the performance rights plan has been established, GDI Property Group intends to offer performance rights in relation to the period ended 30 June 2014. The cost of the potential issue of performance rights for the period ended 30 June 2014 has been included in the Consolidated Statement of Profit or Loss and accrued in the Consolidated Statement of Financial Position. Details of the intended offer to the MD and Disclosed Executives are provided in Section 5.7 of this Remuneration Report.

##### *Intention to grant performance rights relating to the Initial Public Offer*

As disclosed in the Offer Document, GDI Property Group intends to offer performance rights to people who are employed by a member of GDI Property Group at the time the performance rights plan is established. The sole performance condition attached to these performance rights is intended to be that the employee remains employed by a member of GDI Property Group for three years from 16 December 2013. No more than 1.5 million performance rights will be issued under this offer of performance rights. The Managing Director will not participate in this offer. Details of the intended offer to 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: <ul style="list-style-type: none"><li>• general industry practice and best principles of corporate governance;</li><li>• the responsibilities and risks attached to the role of NEDs;</li><li>• the expected time commitments; and</li><li>• reference to fees paid to NEDs of comparable companies.</li></ul>

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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 will be entitled to participate in the performance rights plan once established.
Length of contract	Mr Gillard commenced as Managing Director on 16 December 2013 and is on a permanent contract, which is an ongoing employment contract until notice is given.
Notice periods	<ul style="list-style-type: none"><li>Mr Gillard may terminate the employment contract at any time by giving six months' notice in writing. However, Mr Gillard has agreed not to terminate his employment contract before December 2016.</li><li>GDI Property Group may terminate the employment contract for any reason by giving 12 months' notice, or alternatively, payment in lieu of notice.</li><li>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.</li></ul>
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 2014 is provided below, with the remuneration table disclosed in section 5.8 below.

Fixed remuneration	The MD received \$414,375 of fixed remuneration for the period ended 30 June 2014, inclusive of superannuation.
STI	Nil. The 'gate' for any STI was outperformance of Offer Document FFO forecasts. Notwithstanding the outperformance, the Board is of the view that the level of outperformance did not justify any payment of an STI to the MD or a Disclosed Executive.
LTI	As GDI Property Group has not as yet established a performance rights plan, no offer of performance rights has been made.

However, subject to GDI Property Group establishing a performance rights plan and, in relation to Mr Gillard's participation in that plan, approval by securityholders, the Board intends to offer Mr Gillard performance rights to the value of \$192,206. These performance rights will be split into two equal tranches and subject to the two vesting conditions described above in Section 5.5 of this Remuneration Report.

The intended issue size has been calculated as follows:

- a pro rata allocation (six month) of Mr Gillard's entitlement to participate in the performance rights plan;
- the assumed security price when calculating Mr Gillard's entitlement was \$1.00, reducing the number of potential rights as this is used in the denominator (vs \$0.91 30 June closing price); and

## GDI PROPERTY GROUP

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- there was no discounting due to factors taken in to account when valuing performance rights, including volatility, distributions and term,

The result is that Mr Gillard, subject to GDI Property Group establishing a performance rights plan and, in relation to Mr Gillard's participation in that plan, approval by securityholders, will receive 67% of his potential entitlement to performance rights.

	FY2014 performance		IPO performance rights	
	Number	Value (\$)	Number	Value (\$)
Steve Gillard	286,874	192,206	-	-

#### Disclosed Executive contract terms

	David Williams	John Garland	Paul Malek
Fixed remuneration	\$375,000	\$350,000	\$300,000
Participation in performance rights plan	Disclosed Executives will be entitled to participate in the performance rights plan once established.		
Length of contract	Disclosed Executives are subject to an ongoing employment contract until notice is given.		
Notice periods	<ul style="list-style-type: none"><li>• Disclosed Executives may terminate the employment contract at any time by giving three months' notice in writing.</li><li>• GDI Property Group may terminate the employment contract for any reason by giving three months' notice, or alternatively, payment in lieu of notice.</li><li>• 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.</li></ul>		
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 2014 is provided below, with the remuneration table disclosed in section 5.8 below.

Fixed remuneration	The Disclosed Executives received their fixed remuneration disclosed above on a pro rata basis from 16 December 2013. The fixed remuneration was inclusive of superannuation.
STI	Nil. The 'gate' for any STI was outperformance of Offer Document FFO forecasts. Notwithstanding the outperformance, the Board is of the view that the level of outperformance did not justify any payment of an STI to a Disclosed Executive.

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LTI

As GDI Property Group has not as yet established a performance rights plan, no offer of performance rights has been made.

However, subject to GDI Property Group establishing a performance rights plan and, in relation to the Disclosed Executive's participation in that plan, approval by securityholders, the Board intends to offer Mr Williams performance rights to the value of \$62,813, Mr Garland performance rights to the value of \$58,625 and Mr Malek performance rights to the value of \$50,250. These performance rights will be split into two equal tranches and subject to the two vesting conditions described above in Section 5.5 of this Remuneration Report.

The intended issue size has been calculated as follows:

- a pro rata allocation (six month) of the Disclosed Executive's entitlement to participate in the performance rights plan;
- the assumed security price when calculating the Disclosed Executive's entitlement was \$1.00, reducing the number of potential rights as this is used in the denominator (vs \$0.91 30 June closing price); and
- there was no discounting due to factors taken in to account when valuing performance rights, including volatility, distributions and term,

The result is that each Disclosed Executive, subject to GDI Property Group establishing a performance rights plan will receive 67% of his potential entitlement to performance rights.

In addition, as disclosed in the Offer Document, Disclosed Executives will be entitled to participate in an intended offer of performance rights (subject to the plan being established), the main condition of which is continued employment.

	FY2014 performance		IPO performance rights	
	Number	Value (\$)	Number	Value (\$)
David Williams	93,750	62,813	350,000	318,500
John Garland	87,500	58,625	350,000	318,500
Paul Malek	75,000	50,250	200,000	182,000

## GDI PROPERTY GROUP

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#### 5.8 KMP remuneration table for the period ended 30 June 2014

	Short-Term Benefits				Post employment	Long term benefits	Security based payments	Total remuneration <sup>4</sup>	Performance related <sup>5</sup>	Performance rights <sup>5</sup>
	Salary & Fees	Accrued leave <sup>1</sup>	Non monetary benefits	Cash bonus	Super contributions	Long service leave <sup>1</sup>	Performance rights for FY14 <sup>2,3</sup>	Performance rights for IPO <sup>2,3</sup>		
	\$	\$	\$	\$	\$	\$	\$	\$	%	%
<b>Non-executive Directors</b>										
G Kelly	74,371	-	-	-	6,879	-		81,250	-	-
G Anderson	31,660	-	-	-	8,965	-		40,625	-	-
L Towell	37,185	-	-	-	3,440	-		40,625	-	-
T Veale	37,185	-	-	-	3,440	-		40,625	-	-
<b>Managing Director</b>										
S Gillard	389,375	27,722	-	-	25,000	-	48,051	490,148	9.8%	9.8%
<b>Disclosed executives</b>										
D Williams	189,583	10,419	-	-	13,542	-	15,703	56,958	25.4%	25.4%
J Garland	176,042	(833)	-	-	13,542	1,744	14,656	56,958	27.3%	27.3%
P Malek	152,872	8,402	-	-	9,628	-	12,563	32,547	20.9%	20.9%
<b>Total</b>	<b>1,088,274</b>	<b>45,710</b>	<b>-</b>	<b>-</b>	<b>84,435</b>	<b>1,744</b>	<b>90,973</b>	<b>146,464</b>	<b>1,457,599</b>	

1. Annual and long service leave are accounted for on an accruals basis. The amounts represent the change in accrued leave during the period.
2. GDI Property Group intends to establish a performance rights plan and issue performance rights for the period ended FY14. Although no performance rights have been issued, GDI Property Group has included the likely cost in the Consolidated Statement of Profit or Loss. As disclosed in the Offer Document, once the performance rights plan is established, GDI Property Group will also issue up to \$1.5 million in total of performance rights to employees employed at the time the plan is established. The cost of this has been included in the Consolidated Statement of Profit or Loss and is treated as an IPO expense for FFO purposes.
3. The amount shown is the fair value of performance rights under the various LTI and IPO plans included in the relevant financial period and does not represent actual 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. Excludes performance rights intended to be issued as part of the IPO.

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#### 5.9 Transactions with KMP

##### 5.9.1 Transactions with KMP relating to the Initial Public Offer

KMP participated in the IPO as follows:

	Mr Gillard			Mr Veale			Mr Towell			Mr Williams		
	Stapled securities <sup>1,2</sup>	Cash	Total	Stapled securities <sup>1,2</sup>	Cash	Total	Stapled securities <sup>1</sup>	Cash	Total	Stapled securities	Cash <sup>4</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Units in Seed Trusts <sup>3</sup>	20,004	68	20,072	21,002	1,144	22,147	1,062	-	1,062	-	-	-
Funds Business Acquisition	9,250	-	9,250	9,250	-	9,250	-	-	-	-	-	-
Fees payable from Seed Trusts	-	9,368	9,368	-	9,368	9,368	-	-	-	-	-	-
Consultancy fee	-	-	-	-	-	-	-	-	-	-	380	380
<b>Total</b>	<b>29,254</b>	<b>9,436</b>	<b>38,690</b>	<b>30,252</b>	<b>10,512</b>	<b>40,764</b>	<b>1,062</b>	<b>-</b>	<b>1,062</b>	<b>-</b>	<b>380</b>	<b>380</b>

1. Based on the Offer price of stapled securities of \$1.00

2. Mr Gillard and Mr Veale's stapled securities are subject to escrow restrictions until 30 June 2015

3. The Seed Trusts consisted of GDI Premium Office Trust, GDI No. 34 Sydney CBD Office Trust and GDI No. 35 Perth Prime CBD Office Trust. Pursuant to an Implementation Deed dated 25 November 2013, investors in each of the Seed Trusts were offered an option of receiving cash at their respective NTA, or stapled securities in the newly formed GDI Property Group.

4. Mr Williams was engaged as a consultant by GDI Investment Management Pty Limited under the terms of a consultancy services agreement entered into on 2 April 2013 to provide consultancy services in relation to the IPO. Fees paid by GDI Investment Management Pty Limited to Mr Williams were reimbursed from the proceeds of the IPO.

Other payments received from the IPO:

Entities controlled by Mr Gillard and Mr Veale paid an option fee (\$500,000) and a subsequent deposit (\$650,000) to secure 307 Queen St, Brisbane, and IPO costs of \$1,556,000. These were all reimbursed on settlement of the IPO.



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#### 5.9.2 Equity instrument disclosure relating to KMP

	Securities held at 16 December 2013	Securities acquired during the period	Securities held at 30 June 2014
<b>Directors</b>			
Graham Kelly	100,000	-	100,000
Steve Gillard	29,253,848	1,046,152	30,300,000
Tony Veale	30,252,440	-	30,252,440
Gina Anderson	-	-	-
Les Towell	1,061,595	-	1,061,595
<b>Other key management personnel</b>			
David Williams	200,000	-	200,000
John Garland	-	-	-
Paul Malek	-	-	-

#### 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 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 has agreed to indemnify the auditors out of the assets of GDI if GDI has breached the agreement under which the auditors are appointed.

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

##### 6.2 Rounding of Amounts

GDI 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

During the period, Hall Chadwick was appointed auditor of GDI Property Group.

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

## GDI PROPERTY GROUP

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#### 6.4 Non-Audit Services

The following fees were paid or payable to Hall Chadwick for non-audit services provided during the period ended 30 June 2014:

Review of proforma balance sheets and forecasts	\$ 395,000
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The Directors have considered the non-audit services and other assurance services provided by the auditor during the financial period. In accordance with advice received from the Audit 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's auditor; and
- the fact that none of the non-audit services provided by Hall Chadwick during the financial period 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.



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Graham Kelly  
Chairman



---

Steve Gillard  
Managing Director

Sydney

Dated this 25<sup>th</sup> day of August 2014

**HALL CHADWICK** 

Chartered Accountants and Business Advisers

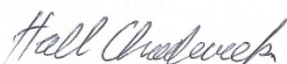
**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE  
CORPORATIONS ACT 2001**

**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 2014 there have been no contraventions of:

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

This declaration is in respect of both GDI Property Group Limited and the entities it controlled during the period and GDI Property Trust and the entities it controlled during the period.



HALL CHADWICK  
Level 40, 2 Park Street  
SYDNEY NSW 2000



Drew Townsend  
Partner  
Dated: 25 August 2014

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**GDI PROPERTY GROUP****FINANCIAL REPORT**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Group 2014 \$'000	Trust 2014 \$'000
<b>Revenue from ordinary activities</b>			
Property income	2	34,166	34,166
Funds management income		3,390	-
Interest revenue		209	183
Other income		219	219
<b>Total revenue from ordinary activities</b>		<b>37,985</b>	<b>34,568</b>
Net fair value gain of investment property	9	8,699	8,699
<b>Total income</b>		<b>46,684</b>	<b>43,267</b>
<b>Expenses</b>			
Property expenses		9,339	9,339
Finance costs	3	4,522	4,522
Net fair value loss on interest rate swaps	11	2,228	2,228
Corporate and administration expenses	4	2,212	323
Initial public offer costs		15,480	13,007
<b>Total expenses</b>		<b>33,782</b>	<b>29,419</b>
<b>Profit before tax</b>		<b>12,903</b>	<b>13,848</b>
Income tax benefit	5	16	-
<b>Net profit for the period</b>		<b>12,919</b>	<b>13,848</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>12,919</b>	<b>13,848</b>
<b>Profit and total comprehensive income attributable to:</b>			
Company shareholders		(929)	-
Trust unitholders (non-controlling interest)		13,848	13,848
<b>Profit and total comprehensive income</b>		<b>12,919</b>	<b>13,848</b>
		Cents	Cents
Basic and diluted earnings per stapled security/trust unit	20	2.28	2.44

*The accompanying notes form part of these financial statements.*

**GDI PROPERTY GROUP****FINANCIAL REPORT**

As at 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Note	Group 2014 \$'000	Trust 2014 \$'000
<b>Current assets</b>			
Cash and cash equivalents	6	14,718	13,914
Trade and other receivables	7	4,827	854
Other assets	8	7,381	7,369
<b>Total current assets</b>		<b>26,926</b>	<b>22,137</b>
<b>Non-current assets</b>			
Investment properties	9	694,351	694,351
Plant and equipment	10	110	-
Deferred tax assets	12	518	-
Intangible assets	13	18,110	-
<b>Total non-current assets</b>		<b>713,089</b>	<b>694,351</b>
<b>Total assets</b>		<b>740,015</b>	<b>716,487</b>
<b>Current liabilities</b>			
Trade and other payables	14	24,056	23,276
Provisions	15	124	-
<b>Total current liabilities</b>		<b>24,180</b>	<b>23,276</b>
<b>Non-current liabilities</b>			
Borrowings	16	169,333	169,333
Derivative financial instruments	11	2,228	2,228
Deferred tax liabilities	12	-	-
Provisions	15	102	-
Other liabilities		11	11
<b>Total non-current liabilities</b>		<b>171,673</b>	<b>171,571</b>
<b>Total liabilities</b>		<b>195,853</b>	<b>194,847</b>
<b>Net assets</b>		<b>544,162</b>	<b>521,640</b>
<b>Equity</b>			
Contributed equity	17	23,451	527,657
Retained profits	18	(929)	(6,017)
<b>Equity attributable to equity holders of the Company/ Trust</b>		<b>22,522</b>	<b>521,640</b>
<b>Non-controlling interest</b>			
Contributed equity	17	527,657	-
Retained profits	18	(6,017)	-
		521,640	-
<b>Total equity</b>		<b>544,162</b>	<b>521,640</b>

*The accompanying notes form part of these financial statements.*

## GDI PROPERTY GROUP

### FINANCIAL REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

#### Group

	Equity attributable to securityholders of the Group			Non-controlling interest (Trust) \$'000	Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000	Total \$'000		
<b>Comprehensive income</b>					
Profit for the period	-	(929)	(929)	13,848	12,919
Other comprehensive income	-	-	-		
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>(929)</b>	<b>(929)</b>	<b>13,848</b>	<b>12,919</b>
<b>Transactions with securityholders in their capacity as securityholders</b>					
Initial contribution of equity	24,588	-	24,588	542,987	567,575
Transaction costs, net of tax	(1,137)	-	(1,137)	(15,330)	(16,467)
Distributions paid/payable	-	-	-	(19,865)	(19,865)
<b>Total transactions with securityholders in their capacity as securityholders</b>	<b>23,451</b>	<b>-</b>	<b>23,451</b>	<b>507,792</b>	<b>531,243</b>
<b>Balance as at 30 June 2014</b>	<b>23,451</b>	<b>(929)</b>	<b>22,522</b>	<b>521,640</b>	<b>544,162</b>

#### Trust

	Equity attributable to unitholders of the Trust		Total equity \$'000
	Contributed equity \$'000	Retained earnings \$'000	
<b>Comprehensive income</b>			
Profit for the period	-	13,848	13,848
Other comprehensive income	-	-	-
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>13,848</b>	<b>13,848</b>
<b>Transactions with unitholders in their capacity as unitholders</b>			
Initial contribution of equity	542,987	-	542,987
Transaction costs, net of tax	(15,330)	-	(15,330)
Distributions paid/payable	-	(19,865)	(19,865)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>527,657</b>	<b>(19,865)</b>	<b>507,792</b>
<b>Balance as at 30 June 2014</b>	<b>527,657</b>	<b>(6,017)</b>	<b>521,640</b>

The accompanying notes form part of these financial statements.

# GDI PROPERTY GROUP

## FINANCIAL REPORT

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

### CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Group 2014 \$'000	Trust 2014 \$'000
<b>Cash flows from operating activities</b>			
Receipts in the course of operations		30,775	30,951
Payments in the course of operations		(8,824)	(7,407)
Interest received		209	183
Interest paid		(4,742)	(4,742)
<b>Net cash inflow from operating activities</b>	24	<b>17,418</b>	<b>18,985</b>
<b>Cash flows from investing activities</b>			
Net outflow of cash on acquisition of Funds Business	32	(18,121)	-
Payments for investments		(120,815)	(120,815)
Payments for capital expenditure		(1,584)	(1,584)
Payments for deposits of investment		(6,822)	(6,822)
Payment of initial public offer costs		(15,480)	(13,007)
<b>Net cash outflows from investing activities</b>		<b>(162,821)</b>	<b>(142,227)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		170,000	170,000
Repayment of seed trust borrowings <sup>1</sup>	32	(279,932)	(279,932)
Payment of loan transaction costs		(748)	(748)
Proceeds from the issue of stapled securities		362,319	346,623
Equity issue transaction costs		(16,954)	(15,330)
Payment of dividends/distributions to seed trust investors <sup>1</sup>		(993)	(993)
Redemption to non-continuing seed trust investors <sup>1</sup>		(78,944)	(78,944)
Redemption to continuing seed trust investors <sup>1</sup>		-	(8,892)
<b>Net cash inflow from financing activities</b>		<b>154,748</b>	<b>131,784</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,345</b>	<b>8,542</b>
Cash and cash equivalents at incorporation date		-	-
Cash and cash equivalents on acquisition of controlled entities - GDI Property Trust and its controlled entities	32	5,373	5,373
<b>Cash and cash equivalents at 30 June 2014</b>	6	<b>14,718</b>	<b>13,914</b>

1. The seed trust, seed trust investors and seed trust borrowings refers to GDI Premium Office Trust, GDI No. 34 Sydney CBD Office Trust and GDI No. 35 Perth Prime CBD Office Trust, the investors in each and the borrowings of each. As part of the initial public offer, acquisitions and restructure, investors were given the opportunity to redeem their units at their respective trust's NTA (non-continuing investors) or elect to receive stapled securities (continuing seed trust investors)

*The accompanying notes form part of these financial statements.*

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### 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. As a consequence, the Financial Statements of the Company and the Group are for the period from 5 November 2013 to 30 June 2014, and the Financial Statements of the Trust are for the period from 4 November 2013 to 30 June 2014.

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 25 August 2014 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.



## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### **(c) Principles of Consolidation**

The consolidated financial statements incorporate all of the assets, liabilities and results of all controlled entities for the period ended 30 June 2014, 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 30.

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.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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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

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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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 probable 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.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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 with carrying amount. These are included in profit or loss.

#### (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 knowledgeably, prudently and without compulsion.

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

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting of vacant accommodation and the market's general perception of their credit-worthiness;

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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- 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 9, 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.

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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 and transport 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 instrument, 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.

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#### **(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 intends to establish a performance rights plan and to issue performance rights to employees. Under the proposed performance rights plan, employees will be granted performance rights which will vest into the Group securities at no cost, if vesting conditions are satisfied.

As the plan has yet to be established, the Group has recognised the fair value of the performance rights as an accrual with the cost of the intended issues recognised as an employee benefit expense (for performance rights issued in relation to the period ended 30 June 2014) or Initial Public Offer costs (for performance rights issued to employees as disclosed in the Offer Document). Once the plan is established, the accrual will be reversed with a corresponding increase in the employee incentive scheme reserve in equity.

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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.

#### **(q) Property expenses**

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

#### **(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.



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#### **(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

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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, from 16 December 2013 for the period ending 30 June 2014, but otherwise from the commencement of the half period. 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.

#### **(bb) Critical accounting estimates and assumptions**

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

The key estimates and assumptions that have a risk of causing adjustment 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 9.

##### **(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 2014 may differ if there is volatility in market rates in future periods. The valuation techniques are discussed in detail at Note 28 and have been developed in compliance with requirements of AASB 139 Financial Instruments: Recognition and Measurement.

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#### **(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 review the allocation of cash flows to those assets and estimate 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 does not currently have a performance rights plan but does expect to establish one during FY15 and to grant performance rights both as disclosed in the Prospectus and Product Disclosure Statement dated 25 November 2013 (Offer Document) and as part of FY14 remuneration. The cost of these performance rights has been expensed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and accrued as a liability in the Consolidated Statement of Financial Position.

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 29. 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.

#### **(cc) Comparative figures**

As this is the first year of the Group and the Trust's operations, there are no comparative figures.

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#### NOTE 2 – PROPERTY REVENUE

	Group 2014 \$'000	Trust 2014 \$'000
<b>Property revenue</b>		
Rent and recoverable outgoings	34,182	34,182
Lease costs and incentive amortisation	(16)	(16)
<b>Total property revenue</b>	<b>34,166</b>	<b>34,166</b>

#### NOTE 3 – FINANCE COSTS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Finance costs</b>		
Interest paid / payable	4,522	4,522
<b>Total finance costs</b>	<b>4,522</b>	<b>4,522</b>

#### NOTE 4 – CORPORATE AND ADMINISTRATION EXPENSES

	Group 2014 \$'000	Trust 2014 \$'000
<b>Corporate and administration expenses</b>		
Audit and taxation fees	104	74
Custodian fees	50	50
Occupancy expenses	231	-
Employee benefits expense	1,664	87
Others	164	112
<b>Total corporate and administration expenses</b>	<b>2,212</b>	<b>323</b>

#### NOTE 5 – INCOME TAX BENEFIT

	Group 2014 \$'000	Trust 2014 \$'000
<b>Income tax benefit</b>		
a) <b>The components of tax benefit comprise:</b>		
Current tax	(32)	-
Deferred tax	16	-
<b>Income tax benefit</b>	<b>(16)</b>	<b>-</b>
b) <b>Reconciliation of income tax benefit to prima facie tax payable:</b>		
Prima facie tax payable on profit from ordinary activities before income tax at 30%	3,871	-
	3,871	-
Add tax effect of :		
Non-allowable items	301	-
Less tax effect of :		
Recognition of deferred tax asset not previously brought to account	(33)	-
Non-taxable trust income	(4,155)	-
<b>Income tax benefit attributable to Group/ Trust</b>	<b>(16)</b>	<b>-</b>

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#### NOTE 6 – CASH AND CASH EQUIVALENTS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Cash and cash equivalents</b>		
Cash at bank	14,718	13,914
<b>Total cash and cash equivalents</b>	<b>14,718</b>	<b>13,914</b>

#### NOTE 7 – TRADE AND OTHER RECEIVABLES

	Group 2014 \$'000	Trust 2014 \$'000
<b>Trade and other receivables</b>		
Trade receivable	4,809	839
Others	18	15
<b>Total trade and other receivables</b>	<b>4,827</b>	<b>854</b>

##### Trade receivables

Included in trade and other receivables of the Group are \$3,469,000 of fees charged to managed funds that have subsequently been paid and \$449,000 that remains unpaid. The Group also had \$530,000 of rent receivable which was past due but not impaired. These all relate 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, and as such there is no impairment of receivables.

#### NOTE 8 – OTHER ASSETS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Other assets</b>		
Interest paid in advance	301	301
Prepayment	6,822	6,822
Others	259	246
<b>Total other assets</b>	<b>7,381</b>	<b>7,369</b>

The prepayment relates to the deposit paid for the acquisition of 66 Goulburn St, Sydney. Settlement of the acquisition completed on 15 July 2014. See Note 35 for further details.

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#### NOTE 9 – INVESTMENT PROPERTIES

		Group 2014 \$'000	Trust 2014 \$'000
<b>a) Investment properties at fair value</b>	<b>Note</b>		
<i>Movement in investment properties</i>			
Balance at date of incorporation		-	-
Acquisitions through business combinations			
- Investment properties	32	559,766	559,766
- Rental guarantee and incentives	32	3,700	3,700
Additions			
- Investment property		113,800	113,800
- Rental guarantee and incentives		7,015	7,015
Amortisation of rental guarantee and incentive		(2,156)	(2,156)
Capital works			
- Property improvements		1,415	1,415
- Maintenance capital		169	169
Straight-lining of rental income		1,559	1,559
Incentives and lease costs		401	401
Amortisation of lease costs and incentives		(16)	(16)
Net gain from fair value adjustments		8,699	8,699
<b>Balance as at 30 June 2014</b>		<b>694,351</b>	<b>694,351</b>

#### b) Rental guarantee and incentive

The Group has obtained guarantees and the payout of tenant incentives in relation to 307 Queen St, Brisbane and 233 Castlereagh St, Sydney. The guarantees cover certain vacancies for a period of two years from settlement (16 December 2013) and are paid regardless of whether the identified vacancies are leased. The payout of tenant incentives is on terms consistent with the terms of the underlying leases at the time of settlement (in the case of 307 Queen St, Brisbane) and business combination (in the case of 233 Castlereagh St, Sydney).

The outstanding amounts of these guarantees and payout of incentives is taken in to consideration by independent valuers when assessing the capital value of the asset. Changes in fair values are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Detailed in the table below is the carrying value of the rental guarantee and incentive.

#### Carrying value of rental guarantee and incentive

Property	Acquisitions through business combinations	Additions \$'000	Amortised during period \$'000	Fair value adjustment \$'000	Closing balance \$'000
307 Queen Street, Brisbane	-	7,015	(1,316)	-	5,698
233 Castlereagh Street, Sydney	3,700	-	(840)	(1,860)	1,000
<b>Total</b>	<b>3,700</b>	<b>7,015</b>	<b>(2,156)</b>	<b>(1,860)</b>	<b>6,698</b>

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#### 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

Weighted average capitalisation rate (%)	8.1%
Weighted average lease expiry by area (years)	3.3 years
Occupancy (%)	84%

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 12 months and tenant retention ranges from 50% to 75%.

#### c) Assets pledged as security

Borrowings (refer Note 16) 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 2014 \$'000	Trust 2014 \$'000
<b>Lease receivable commitments</b>		
Within one year	46,094	45,990
Later than one year but not later than five years	121,851	121,770
Later than five years	49,378	49,378
<b>Total lease receivable commitments</b>	<b>217,323</b>	<b>217,138</b>

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#### e) Details of investment properties

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

	Title	Acquisition date <sup>1</sup>	Acquisition price <sup>1,2</sup> \$'000	Independent valuation date	Independent valuation \$'000	Carrying amount \$'000	Fair value adjustment \$'000
Mill Green Complex, Perth	Freehold	16 December 2013	332,656	1 October 2013	332,000	334,126	-
233 Castlereagh St, Sydney	Freehold	16 December 2013	121,177	30 June 2014	129,000	129,000	8,186
25 Grenfell St, Adelaide	Freehold	16 December 2013	109,632	1 October 2013	109,000	110,225	-
307 Queen St, Brisbane	Freehold	16 December 2013	120,815	30 June 2014	121,000	121,000	513
<b>Total investment properties</b>			<b>684,280</b>		<b>691,000</b>	<b>694,351</b>	<b>8,699</b>

1. With the exception of 307 Queen Street, Brisbane, which was acquired from a third party on 16 December 2013, 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.
2. The acquisition prices includes capital expenditure incurred between the valuation date for the restructure and the IPO ( 1<sup>st</sup> October 2013) and the acquisition date ( 16<sup>th</sup> December 2013)



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#### NOTE 10 – PLANT AND EQUIPMENT

	Group 2014 \$'000	Trust 2014 \$'000
<b>Plant and equipment</b>		
Furniture and fittings at cost	124	-
Accumulated depreciation	(14)	-
<b>Total plant and equipment</b>	<b>110</b>	<b>-</b>

#### Movement in plant and equipment

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

	Note	Furniture and fittings \$'000	Total \$'000
<b>Movement in plant and equipment</b>			
Balance at date of incorporation		-	-
Acquisitions through business combinations	32	124	124
Depreciation		(14)	(14)
<b>Balance as at 30 June 2014</b>		<b>110</b>	<b>110</b>

#### NOTE 11 – DERIVATIVE FINANCIAL INSTRUMENTS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Derivative financial instruments</b>		
Interest rate swaps	2,228	2,228
<b>Total derivative financial instruments</b>	<b>2,228</b>	<b>2,228</b>

Details of principal amounts, expiry dates and interest ranges of interest rate derivative contracts are set out in Note 27.

#### NOTE 12 – DEFERRED TAX ASSETS

	Acquisitions through business combinations \$'000	(Charged)/ Credited to Profit or Loss \$'000	(Charged)/ Credited Directly to Equity \$'000	Closing Balance \$'000
<b>Deferred tax asset on:</b>				
Provisions	-	60	-	60
Transaction costs on equity issued	-	(76)	487	411
Tax losses carried forward	14	32	-	46
<b>Net amount</b>	<b>14</b>	<b>16</b>	<b>487</b>	<b>518</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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

	Group 2014 \$'000	Trust 2014 \$'000
<b>Deductible temporary differences and unused tax losses not brought to account</b>		
- deductible temporary differences	472	-
- tax losses – operating in nature	46	-
<b>Total</b>	<b>518</b>	<b>-</b>

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

#### NOTE 13 – INTANGIBLE ASSETS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Intangible assets</b>		
Goodwill - at cost and at net carrying amount	18,110	-
<b>Total intangible assets</b>	<b>18,110</b>	<b>-</b>

##### a) Impairment test for goodwill

Pursuant to a Sale and Purchase Agreement dated 25 November 2013, 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 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 15% 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 in to 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.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### b) Key assumptions used in valuation assumptions

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

	New funds (p.a.)	Fee income	Terminal value growth rate	Discount rate
Funds management segment	\$100 million	Management fee – 0.65% Acquisition fee – 2% Disposal fee – 1%	2.4%	15%

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. As disclosed in the Offer Document, GDI Property Group forecast \$100 million of new AUM to be established in the year ending 30 June 2015.

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 14 – TRADE AND OTHER PAYABLES

	Group 2014 \$'000	Trust 2014 \$'000
<b>Trade and other payables</b>		
Trade payables and accruals	3,231	2,845
Lease incentive payments	22	22
Tenant security deposits	-	-
Distribution payable	19,865	19,865
Other payables	938	544
<b>Total trade and other payables</b>	<b>24,056</b>	<b>23,276</b>

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 16 December 2013 to 30 June 2014, declared in June and payable in August 2014.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### NOTE 15 – PROVISIONS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Provisions</b>		
<b>Current</b>		
Employee benefits	124	-
<b>Non-current</b>		
Employee benefits	102	-
<b>Total provisions</b>	<b>225</b>	<b>-</b>

#### 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 16 – BORROWINGS

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

	Group 2014 \$'000	Trust 2014 \$'000
<b>Borrowings</b>		
<b>Non-current</b>		
<i>Secured liabilities:</i>		
Loans – financial institutions	170,000	170,000
Transaction costs	(667)	(667)
<b>Total borrowings</b>	<b>169,333</b>	<b>169,333</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### a) 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 1 <sup>1</sup>	Yes	16 December 2018	85,000	85,000	-
Facility Tranche 2 <sup>1</sup>	Yes	16 December 2016	85,000	85,000	-
Facility Tranche 3 <sup>1</sup>	Yes	16 December 2016	30,000	-	30,000
			<b>200,000</b>	<b>170,000</b>	<b>30,000</b>
Facility Tranche 4 <sup>2</sup>	Yes	16 December 2016	5,000		
<b>Total facility</b>			<b>205,000</b>	<b>170,000</b>	<b>30,000</b>

1. The loan facility is secured by first registered mortgage over the 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 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.

#### b) 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 2014 \$'000	Trust 2014 \$'000
<b>Maturity profile</b>		
Due within one year	7,123	7,123
Due between one and five years	187,819	187,819
Due after five years	-	-
<b>Total</b>	<b>194,942</b>	<b>194,942</b>

#### NOTE 17 – CONTRIBUTED EQUITY

	Group 2014 \$'000	Trust 2014 \$'000
<b>Contributed equity</b>		
Contributed equity	551,108	527,657
<b>Total contributed equity</b>	<b>551,108</b>	<b>527,657</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### a) Movements in ordinary securities/units

	Group		Trust	
	2014	2014	2014	2014
	No (000)	\$'000	No (000)	\$'000
Units issued at Initial Public Offer (ex Vendor Offer) <sup>1</sup>	549,075	549,075	549,075	549,075
Capital return to facilitate stapling <sup>2</sup>	(23,786)	(23,786)	(23,786)	(23,786)
Shares issued at Initial Public Offer <sup>3</sup>	23,786	23,786	-	-
Vendors Offer <sup>3</sup>	18,500	18,500	17,699	17,699
	567,575	567,575	542,987	542,987
Transaction costs		(16,467)		(15,330)
<b>Contributed equity attributable to securityholders/unitholders</b>	<b>567,575</b>	<b>551,108</b>	<b>542,987</b>	<b>527,657</b>

- Units were issued by GDI Funds Management Limited as responsible entity of GDI Property Trust to all unitholders in GDI Premium Office Trust, GDI No. 34 Sydney CBD Office Trust and GDI No. 35 Perth Prime CBD Office Trust (Seed Unitholders) and through a Public Offer of securities. Units of Seed Unitholders who elected to receive cash, or who made no election, were redeemed, after which GDI Property Trust had 549,075,025 \$1 units on issue.
- GDI Funds Management Limited as responsible entity of GDI Property Trust then declared a capital distribution to all GDI Property Trust investors equivalent to \$0.043321 per unit. This was applied to facilitate all GDI Property Trust unitholders to acquire shares in GDI Property Group Limited equivalent to the aggregate capital distribution amount payable in respect of their Units and subsequently to facilitate the stapling.
- The proceeds from the issue of shares (including from the Vendors Offer) was sufficient to enable GDI Property Group Limited to acquire the business from the GDI group of companies and partnerships (Vendors Offer), pay its share of IPO costs and provide it with working capital.

No other stapled securities were issued during the period.

#### 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 18 – RETAINED EARNINGS

	Group	Trust
	2014	2014
	\$'000	\$'000
<b>Retained earnings</b>		
Balance at date of incorporation	-	-
Net profit for the period	12,919	13,848
Less: Dividends payable	(19,865)	(19,865)
<b>Balance as at 30 June 2014</b>	<b>(6,946)</b>	<b>(6,017)</b>

#### NOTE 19 – 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 2014 financial period. As the Company made a tax loss for the period ended 30 June 2014, there are also no franking credits available for subsequent years.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### b) Distributions paid/payable by the Group/Trust

	Group 2014 cents/security	Trust 2014 cents/unit
<b>Distributions paid / payable by the Group / Trust</b>		
29 August 2014	3.50	3.50

#### NOTE 20 – EARNINGS PER SECURITY/UNIT

	Group 2014 cents	Trust 2014 cents
<b>Basic and diluted earnings per security/unit</b>	<b>2.28</b>	<b>2.44</b>
	\$'000	\$'000
<b>Earnings used to calculate basic and diluted earnings/(loss) per security/unit:</b>		
Profit for the period	12,919	13,848
<b>Profit attributable to ordinary securityholders/equityholders of the group/trust used in calculating basic and diluted earnings per security/unit</b>	12,919	13,848
	No. (000)	No. (000)
<b>Weighted average number of ordinary securities/units used in calculating basic earnings per security/unit</b>	567,575	567,575

#### NOTE 21 – PARENT ENTITY DISCLOSURES

##### a) Summary financial information

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

	Company 2014 \$'000
<b>Results</b>	
<b>Loss for the period</b>	<b>(1,070)</b>
<b>Total comprehensive loss</b>	<b>(1,070)</b>
<b>Financial position</b>	
Current assets	8
Total assets	22,434
Current liabilities	47
Total liabilities	53
<b>Net assets</b>	<b>22,381</b>
Contributed equity	23,451
Accumulated losses	(1,070)
<b>Total equity</b>	<b>22,381</b>

##### b) Guarantees entered in to by the parent entity

During the period ended 30 June 2014 neither parent provided any guarantee to entities it controlled.

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### **c) Contingent liabilities**

Neither parent entity had contingent liabilities at period end.

#### **d) Contractual commitments**

As at 30 June 2014, the Company had no commitments in relation to capital expenditure contracted for but not provided as liabilities.

### **NOTE 22 – 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. FFO is a global financial measure of the real estate operating performance after finance costs and taxes, adjusted for certain non-cash items. 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 adjusted for property revaluations, impairments, derivative mark to market impacts, amortisation of tenant incentives, straight line rent adjustments, gain/loss on sale of assets, deferred tax expense/ benefit and rental guarantees.

##### **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.



# GDI PROPERTY GROUP

## NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

### c) Segment information

#### (i) Segment performance

	Property \$'000	Funds management \$'000	Reviewed but unallocated \$'000	Total \$'000
<b><i>Profit after tax from ordinary activities</i></b>				
Property income	34,166	-	-	34,166
Funds management income	-	3,390	-	3,390
Interest income	183	27	-	209
Other income	219	-	-	219
<b>Total operating segment revenue</b>	<b>34,568</b>	<b>3,417</b>	<b>-</b>	<b>37,985</b>
Property expenses	9,339	-	-	9,339
Finance costs	4,522	-	-	4,522
Corporate and administration expenses	323	-	1,889	2,212
Initial public offer costs	13,007	2,473	-	15,480
<b>Total operating segment expenses</b>	<b>27,191</b>	<b>2,473</b>	<b>1,889</b>	<b>31,554</b>
Straight-lining rental income	(1,559)	11	-	(1,549)
Initial public offer costs	13,007	2,473	-	15,480
Other FFO Adjustments	-	(449)	-	(449)
Amortisation and depreciation	97	14	-	111
Movement in rental guarantees	2,156	-	-	2,156
<b>Funds From Operations</b>	<b>21,078</b>	<b>2,992</b>	<b>(1,889)</b>	<b>22,181</b>
Straight-lining rental income	1,559	(11)	-	1,549
Amortisation and depreciation	(97)	(14)	-	(111)
Other FFO adjustments	-	449	-	449
Rental guarantee income	(2,156)	-	-	(2,156)
Income tax benefit	-	16	-	16
Initial public offer costs	(13,007)	(2,473)	-	(15,480)
Net fair value gain on investment properties	8,699	-	-	8,699
Net fair value loss on interest rate swaps	(2,228)	-	-	(2,228)
<b>Profit after tax from ordinary activities</b>	<b>13,848</b>	<b>960</b>	<b>(1,889)</b>	<b>12,919</b>

#### (ii) Segment assets and liabilities

<b>Segment assets and liabilities</b>				
Total assets	716,487	18,110	5,417	740,015
Total liabilities	194,847	-	1,006	195,853
<b>Net assets</b>	<b>521,640</b>	<b>18,110</b>	<b>4,411</b>	<b>544,162</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### NOTE 23 – COMMITMENTS

	Group 2014 \$'000	Trust 2014 \$'000
<b>Commitments</b>		
<b>Capital commitments</b>		
Investment properties	136,851	136,851
Capital expenditure	548	548
<b>Total capital commitments</b>	<b>137,399</b>	<b>137,399</b>
<b>Lease payable commitments</b>		
Within one year	388	-
Later than one year but not later than five years	794	-
Later than five years	-	-
<b>Total lease payable commitments</b>	<b>1,182</b>	<b>-</b>

#### NOTE 24 – RECONCILIATION OF NET PROFIT TO CASH INFLOW FROM OPERATING ACTIVITIES

##### a) Reconciliation of cash from operations with profit after tax

	Group 2014 \$'000	Trust 2014 \$'000
<b>Reconciliation of cash from operations with profit after tax</b>		
Net profit	12,919	13,848
<b>Non cash movements</b>		
Amortisation and depreciation	102	88
Amortisation of lease incentive and lease costs	1,764	1,764
Straight-lining rental income	(1,559)	(1,559)
Fair value adjustments to:		
- Investment properties	(8,699)	(8,699)
- Interest rate swaps	2,228	2,228
Business combinations transaction costs	15,480	13,007
<b>(Increase)/decrease:</b>		
Trade and other receivables	(5,712)	(1,738)
Other assets	461	474
Trade and other payables	333	(426)
Other liabilities	11	-
Deferred tax	(24)	-
Provisions	114	(2)
<b>Net cash inflow from operating activities</b>	<b>17,418</b>	<b>18,985</b>

##### b) Credit standby facilities with bank

Refer to Note 16 for details of unused finance facilities.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### NOTE 25 – 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 period ended 30 June 2014.

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 2014 \$'000	Trust 2014 \$'000
<b>KMP compensation</b>		
Short term employee benefits	1,134	-
Post employment benefits	84	-
Other long term benefits	2	-
Security based payments (accrued)	237	226
<b>Total KMP compensation</b>	<b>1,458</b>	<b>226</b>

##### 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 the Offer Document and the intended issue of performance rights for the period ended 30 June 2014.

##### b) Equity instrument disclosure relating to key management personnel

	Securities held at 16 December 2013	Securities acquired during the period	Securities held at 30 June 2014
<b>Directors</b>			
Graham Kelly	100,000	-	100,000
Steve Gillard	29,253,848	1,046,152	30,300,000
Tony Veale	30,252,440	-	30,252,440
Gina Anderson	-	-	-
Les Towell	1,061,595	-	1,061,595
<b>Other key management personnel</b>			
David Williams	200,000	-	200,000
John Garland	-	-	-
Paul Malek	-	-	-

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### **NOTE 26: 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 25 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.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### b) Transactions with related parties

##### (i) Key management personnel

##### *The Seed Trust Restructure, IPO and Acquisition of the Funds Business*

Mr Gillard, Mr Veale, Mr Towell (and their controlled entities) and Mr Williams received the following benefits from the IPO as follows:

	Mr Gillard			Mr Veale			Mr Towell			Mr Williams		
	Stapled securities <sup>1,2</sup>	Cash	Total	Stapled securities <sup>1,2</sup>	Cash	Total	Stapled securities <sup>1</sup>	Cash	Total	Stapled securities	Cash <sup>4</sup>	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Units in Seed Trusts <sup>3</sup>	20,004	68	20,072	21,002	1,144	22,147	1,062	-	1,062	-	-	-
Funds Business Acquisition	9,250	-	9,250	9,250	-	9,250	-	-	-	-	-	-
Fees payable from Seed Trusts	-	9,368	9,368	-	9,368	9,368	-	-	-	-	-	-
Consultancy fee	-	-	-	-	-	-	-	-	-	-	380	380
<b>Total</b>	<b>29,254</b>	<b>9,436</b>	<b>38,690</b>	<b>30,252</b>	<b>10,512</b>	<b>40,764</b>	<b>1,062</b>	<b>-</b>	<b>1,062</b>	<b>-</b>	<b>380</b>	<b>380</b>

1. Based on the Offer price of stapled securities of \$1.00

2. Mr Gillard and Mr Veale's stapled securities are subject to escrow restrictions until 30 June 2015

3. The Seed Trusts consisted of GDI Premium Office Trust, GDI No. 34 Sydney CBD Office Trust and GDI No. 35 Perth Prime CBD Office Trust. Pursuant to an Implementation Deed dated 25 November 2013, investors in each of the Seed Trusts were offered an option of receiving cash at their respective NTA, or stapled securities in the newly formed GDI Property Group.

4. Mr Williams was engaged as a consultant by GDI Investment Management Pty Limited under the terms of a consultancy services agreement entered into on 2 April 2013 to provide consultancy services in relation to the IPO. Fees paid by GDI Investment Management Pty Limited to Mr Williams were reimbursed from the proceeds of the IPO.

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

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#### *Other payments received from the Initial Public Offer*

Entities controlled by Mr Gillard and Mr Veale paid an option fee (\$500,000) and a subsequent deposit (\$650,000) to secure 307 Queen St, Brisbane.

Entities controlled by Mr Gillard and Mr Veale also funded some of the IPO costs (\$1,556,000) which were reimbursed on settlement of the Initial Public Offer.

#### *Other transactions with key management personnel*

##### *a) 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.

##### *b) 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 \$44,000 for the period to 30 June 2014.

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 \$54,000 for these services, equivalent to an annual fee of 0.65% of gross assets.

#### **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
- Anthony Veale
- Steve Gillard

##### **b) Transactions with related parties**

The Responsible Entity is entitled to a fee calculated on a cost recovery basis only. During the period ended 30 June 2014 the Responsible Entity charged \$119,000, with no balance owing as at 30 June 2014.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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 27 - 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
<ul style="list-style-type: none"><li>• The underlying real estate fundamentals</li><li>• The relative cost and availability of debt and equity</li><li>• Forecast cash flows and capital expenditure requirements</li><li>• Current and future debt covenants</li><li>• Financial risk management</li></ul>	<ul style="list-style-type: none"><li>• Need to comply with the capital and distribution requirements of GDI Property Trust's trust deed</li><li>• Need to comply with the capital requirements of relevant regulatory authorities and licences.</li></ul>

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 banking covenants:

	Board policy	Actual	Bank covenant	Actual
LVR <sup>1</sup>	< 40%	21%	< 45%	25%
ICR <sup>2</sup>	> 2.5X	5.93	> 2X	5.93

1. Bank covenant LVR is total debt (including net derivative exposures) divided by the value of the properties.

2. Bank covenant ICR is EBIT/Interest expense and for the period ended 30 June 2014 the Initial Public Offer costs have been reversed from the EBIT calculation.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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

The gearing ratio as at 30 June 2014 of the Group and Trust were 21% and 21% respectively (as detailed below).

		Group 2014 \$'000	Trust 2014 \$'000
<b>Net debt and adjusted assets</b>	Note		
Total borrowings	16	170,000	170,000
Less: cash and cash equivalents	6	14,718	13,914
<b>Net debt</b>		<b>184,718</b>	<b>183,914</b>
Total assets		740,015	716,487
Less: intangible assets and deferred tax assets		(18,628)	-
Less: cash and cash equivalents	6	(14,718)	(13,914)
<b>Adjusted assets</b>		<b>891,387</b>	<b>886,487</b>
<b>Gearing ratio</b>		<b>21%</b>	<b>21%</b>

#### 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 its exposure to these key financial risks in accordance with its risk management policy and focuses on mitigating the impact of volatility in financial markets.

GDI 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:

	Group 2014 \$'000	Trust 2014 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	14,718	13,914
Trade and other receivables	4,827	854
<b>Total financial assets</b>	<b>19,545</b>	<b>14,768</b>
<b>Financial liabilities</b>		
Trade and other payables	24,056	23,276
Derivative financial instruments	2,228	2,228
Borrowings	169,333	169,333
<b>Total financial liabilities</b>	<b>195,617</b>	<b>194,847</b>

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.



## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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 2014 \$'000	Trust 2014 \$'000
One - three months	462	462
Three - six months	68	68
Over six months	-	-
	530	530

#### 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 3.3 years.

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

	Group 2014 \$'000	Trust 2014 \$'000
Due within one year	24,056	23,276
Due between one and five years	169,333	169,333
Due after five years	-	-
	193,389	192,609

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### 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, 59% of GDI Property Group's borrowings were effectively 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 %
Floating (90 day) <sup>1</sup>	70,000	2.74%
Expiry December 2016 (FY17)	30,000	3.35%
Expiry December 2017 (FY18)	30,000	3.64%
Expiry December 2018 (FY19)	40,000	3.91%
<b>Average</b>	<b>170,000</b>	<b>3.28%</b>

1. Based on the 90 day bank bill swap rate on the last roll date prior to 30 June 2014 of GDI Property Group's borrowings.

Because GDI Property Group's interest rate derivative 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 16.

##### Sensitivity

At balance date, if interest rates for all relevant time periods had changed by +/- 100 basis points (1%) from the period ended 30 June 2014 rates with all other variables held constant, profit would have been higher/(lower) as shown below:

	+1%		-1%	
	Group 2014 \$'000	Trust 2014 \$'000	Group 2014 \$'000	Trust 2014 \$'000
Sensitivity to interest rates				
Impact on interest income	78	68	(78)	(68)
Impact on interest expense	(918)	(918)	918	918
Impact of valuation of interest rate derivatives	3,122	3,122	(3,352)	(3,352)
	<b>2,283</b>	<b>2,273</b>	<b>(2,512)</b>	<b>(2,502)</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### NOTE 28 – FAIR VALUE MEASUREMENTS

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.

##### a) Fair value hierarchy

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.

##### 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.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

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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:

	Group			Trust		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Recurring fair value measurements</b>						
<i>Non-financial assets</i>						
- Investment properties	-	694,351	-	-	694,351	-
<b>Total non-financial assets recognised at fair value on a recurring basis</b>	-	694,351	-	-	694,351	-
<i>Financial liabilities</i>						
- Interest rate swaps	-	2,228	-	-	2,228	-
<b>Total financial liabilities recognised at fair value on a recurring basis</b>	-	<b>2,228</b>	-	-	<b>2,228</b>	-

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

	Fair value at 30 June 2014 \$'000	Valuation technique	Inputs used
<b>Financial assets / liabilities</b>			
Interest rate swaps	(2,228)	Income approach using discounted cash flow methodology	BBSY swap rate
<b>Non-financial assets</b>			
Investment properties <sup>1</sup>	694,351	Market approach using discounted cash flow, rent capitalisation and recent observable market data methodologies	Comparable discount rates, capitalisation rates and price per square metre 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.

#### c) Disclosed Fair Value Measurements

The following assets and liabilities are not measured at fair value in the statement of financial position, but their fair values are disclosed in the notes:

- Borrowings

The following table provides the level of the fair value hierarchy within which the disclosed fair value measurements are categorised in their entirety and a description of the valuation technique(s) and inputs used:

Description	Note	Fair Value Hierarchy Level	Valuation Technique(s)	Inputs Used
Borrowings	16	2	Income approach using discounted cash flow methodology	Current commercial borrowing rates for similar instruments

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### NOTE 29 – SECURITY-BASED PAYMENTS

Subject to receiving any required regulatory approvals GDI Property Group intends to establish a performance rights plan under which it is intended that 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) IPO Performance rights

As disclosed in the Offer Document, GDI Property Group intends to offer up to 1.5 million performance rights to people who are employed by a member of GDI Property at the time the performance rights plan is established. The sole performance condition attached to these performance rights is intended to be that the employee remains employed by a member of GDI Property Group for three years from completion of the IPO (16 December 2013). The Managing Director will not participate in this issue of performance rights.

##### b) LTI performance rights

As disclosed in the Remuneration Report, GDI Property Group intends to offer once the performance rights plan is established up to 543,124 performance rights to KMP (including the Managing Director) in relation to the period ended 30 June 2014. It is intended that the performance conditions that relate to these performance rights be:

Number of performance rights	Performance condition
271,562	Relative performance (stapled security price movement + distributions) versus a peer group
271,562	Total return (NTA growth + distributions) vs internal benchmark

##### c) Valuation of performance rights

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

	IPO performance rights	Relative return performance rights	Total return performance rights
Issue size	1,500,000	271,562	271,562
Exercise price	\$nil	\$nil	\$nil
Life	3 years	3 years	3 years
Initial valuation methodology	Black-Scholes option pricing	Binomial option pricing	Black-Scholes Option pricing
Cost apportioned over (years)	3 Years	4 – Year to which the grant relates + vesting period	4 – Year to which the grant relates + vesting period
Expected volatility	N/A	20%	N/A
Risk-free interest rate	N/A	3%	N/A
Valuation	\$1,365,000	\$117,000	\$247,000

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

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### d) Expense arising from intended issue of performance rights

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

#### Amount expended in period

	IPO performance rights	Relative return performance rights	Total return performance rights
Group	\$244,106	\$29,193	\$61,780
Trust	\$233,531	\$27,928	\$59,104

The security-based payment expense has been accrued and will be transferred to a security-based payment reserve once the performance plan has been established. The IPO performance rights have been classified as an Initial public offer costs, with the relative performance rights and the total return performance rights recognised as corporate and administration expenses in the Consolidated Statement of Profit or Loss.

#### NOTE 30 – CONTROLLED ENTITIES

The Company's investment in controlled entities is shown below:	Principal place of business	2014
Entities controlled by the Company (Parent Entity)		
GDI Funds Management Limited	Sydney, Australia	100%
GDI Investment Management Pty Limited	Sydney, Australia	100%
GDI Investor Pty Limited	Sydney, Australia	100%
GDI No. 27 Pty Limited	Sydney, Australia	100%
GDI No. 28 Pty Limited	Sydney, Australia	100%
GDI No. 29 Pty Limited	Sydney, Australia	100%
GDI No. 35 Pty Limited	Sydney, Australia	100%
GDI No. 37 Pty Limited	Sydney, Australia	100%
GDI No. 38 Pty Limited	Sydney, Australia	100%
GDI No. 38 Asset Pty Limited	Sydney, Australia	100%
GDI No. 39 Pty Limited	Sydney, Australia	100%

The Trust's investment in controlled entities is shown below:	Principal place of business	2014
Entities controlled by GDI Property Trust (Head Entity with the Trust) <sup>1</sup>		
GDI Premium Office Trust	Sydney, Australia	100%
GDI No. 34 Sydney CBD Office Trust	Sydney, Australia	100%
GDI No. 35 Perth Prime CBD Office Trust	Sydney, Australia	100%
GDI No. 37 Trust	Sydney, Australia	100%
GDI No. 39 Trust	Sydney, Australia	100%

1. Units in GDI Property Trust are stapled to the shares of the Parent Entity. The Trust and its controlled entities listed above are consolidated as part of 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.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### NOTE 31– AUDITORS’ REMUNERATION

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

	Group 2014 \$	Trust 2014 \$
<b>Audit services</b>		
Auditing or reviewing financial reports	122,500	56,875
Auditing of controlled entity’s AFS licence	2,500	-
Auditing of controlled entity’s compliance plan	13,500	13,500
	138,500	70,375
<b>Other services</b>		
Review of proforma balance sheets and forecasts	395,000	-
<b>Total</b>	<b>533,500</b>	<b>70,375</b>

#### NOTE 32 – BUSINESS COMBINATIONS

##### a) Acquisition of the Trust

##### i) Summary of the acquisition

GDI Property Group was formed by the stapling of the Company and the Trust pursuant on 16 December 2013. 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 are identical. 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. As the Seed Trust Restructure occurred on the 16 December 2013 in accordance with the Implementation Deed dated 25 November 2013 immediately prior to the stapling of the Company to the Trust, the standards require disclosure in accordance with AASB 3 Business Combinations.

In relation to the stapling of the Company and the Trust, the following additional accounting principles have been applied:

- no goodwill has been recognised on acquisition of the Trust because no direct ownership interest was acquired by the Company in the Trust; and
- the net assets and net profit of the Trust are identified as non-controlling interest and presented as such in the consolidated financial position within equity as they are not owned by the Company in the stapling arrangement.

The Seed Trust Restructure resulted in the unitholders of GDI Premium Office Trust, GDI No. 34 Sydney CBD Office Trust and GDI No. 35 Perth Prime CBD Office Trust becoming unitholders in GDI Property Trust immediately prior to the redemption of non-continuing Seed Investors and a capital distribution to facilitate the stapling.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### ii) Assets and liabilities acquired

At the completion of the Seed Trust restructure, the assets and liabilities of GDI Property Trust were as follows:

	Acquiree's carrying amount \$'000
Cash and cash equivalents	5,373
Trade and other receivables	116
Other assets	20
Investment properties	563,466
Total assets	568,974
Trade and other payables	4,842
Borrowings	279,932
Total liabilities	284,774
<b>Net assets acquired</b>	<b>284,200</b>

Also on 16 December 2013, GDI No. 39 Trust, a wholly owned subsidiary of the Trust, acquired 307 Queen St, Brisbane. As the Trust only traded as part of the stapled entity and had no prior trading history, the revenue and profit of the Trust included in the consolidated revenue of the Group as shown in the Statement of Profit or Loss is the same as if the Trust had been consolidated from 1 July 2013.

#### iii) Purchase consideration

As the acquisition is a deemed acquisition due to the stapling and no actual purchase occurred, no consideration was paid by the Company to acquire the Trust.

### b) Acquisition of Funds Business

#### i) Summary of acquisition

On 25 November 2013 the Company entered in to a Sale and Purchase Agreement to acquire 100% interest in the Funds Business, being the entire share capital of GDI Funds Management Limited and GDI Investment Management Pty Limited, and all property and assets used in connection with the Funds Business from the vendors.

The purchase was satisfied and completed on 16 December 2013 with the Vendor's pre-committed to acquire 18,500,000 stapled securities at the issue price of \$1.00 each (Vendors Offer) from the proceeds of the sale of the Funds Business as part of the Restructure, Acquisitions and Initial Public Offer.



## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

#### ii) Assets and liabilities acquired

At the completion of the Funds Business acquisition, the assets and liabilities of the Company were as follows:

	Fair value \$'000
Cash and cash equivalents	379
Trade and other receivables	-
Plant and equipment	124
Deferred tax assets	14
Trade and other payables	(17)
Provisions	(110)
Net identified assets acquired	390
Goodwill	18,110
<b>Net assets</b>	<b>18,500</b>

#### iii) Purchase consideration

Inflow/(outflow) of cash acquisition, net of cash acquired:

	Fair value \$'000
<b>Inflow/(outflow) of cash acquisition</b>	
Cash consideration	(18,500)
Cash balances acquired	379
<b>Net cash outflow</b>	<b>(18,121)</b>

### NOTE 33 – NON-CONTROLLING INTEREST

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.

	Group 2014 \$'000
<b>Movements in non-controlling interest</b>	
Balance at date of incorporation	-
Profit for the period	13,848
Distributions paid/payable	(19,865)
<b>Balance at 30 June 2014</b>	<b>(6,017)</b>

Other than the unitholders of the Trust (stapled security holders), the Company has no other non-controlling interest.

### NOTE 34 – CONTINGENT LIABILITIES

The Group and Trust had no contingent liabilities as at 30 June 2014.

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the period from 5 November 2013 to 30 June 2014

The Company was incorporated on 5 November 2013 and the Trust established on 4 November 2013

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#### **NOTE 35 – EVENTS AFTER THE REPORTING DATE**

As disclosed to the ASX on 15 July 2014, The Trust Company (Australia) Limited as custodian for GDI No. 39 Trust settled the acquisition of 66 Goulburn St, Sydney for \$136 million (the deposit paid of \$6.6 million on 17<sup>th</sup> June 2014 date was recognised as an Other assets in the Statement of Financial Position, see Note 8). GDI Property Group funded the acquisition of 66 Goulburn St, Sydney by a \$143 million extension of its existing Tranche B facility with Westpac Banking Corporation Limited, drawn to \$139 million.

## DIRECTORS' DECLARATION

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

**Directors' Declaration**

**For the period ended 30 June 2014**

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 25 to 71 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 2014 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 25<sup>th</sup> day of August 2014

**INDEPENDENT AUDITOR'S REPORT  
TO THE SECURITYHOLDERS OF GDI PROPERTY GROUP  
TO THE UNITHOLDERS OF GDI PROPERTY TRUST**

**Report on the Financial Report**

GDI Property Group (the "Group") comprises GDI Property Group Limited and the entities it controlled at period's end or from time to time during the period and GDI Property Trust and the entities it controlled (the "Trust") at the end of the period or from time to time during the period.

We have audited the accompanying financial report of the Group and the Trust, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of both GDI Property Group Limited and GDI Funds Management Limited as responsible entity for the GDI Property Trust.

*Directors' Responsibility for the Financial Report*

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

*Auditor's Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, 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 and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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**INDEPENDENT AUDITOR'S REPORT  
TO THE SECURITYHOLDERS OF GDI PROPERTY GROUP  
TO THE UNITHOLDERS OF GDI PROPERTY TRUST**

*Independence*

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

*Auditor's Opinion*

In our opinion:

- a. the financial report of the Group and the Trust are in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's and the Trust's financial position as at 30 June 2014 and of its performance for the period ended on that date; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the remuneration report included in pages 11 to 22 of the directors' report for the period ended 30 June 2014. The directors of the GDI Property Group Limited 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.

*Auditor's Opinion*

In our opinion the remuneration report of GDI Property Group Limited for the period ended 30 June 2014 complies with s 300A of the *Corporations Act 2001*.

A handwritten signature in dark ink, appearing to read 'Hall Chadwick'.

HALL CHADWICK  
Level 40, 2 Park Street  
SYDNEY NSW 2000

A handwritten signature in dark ink, appearing to read 'Drew Townsend'.

Drew Townsend  
Partner  
Dated: 25 August 2014