The GPT Group

# GPT Management Holdings Limited

**ABN: 67 113 510 188**

# Annual Financial Report
# 31 December 2019

This financial report covers both GPT Management Holdings Limited (the Company) as an individual entity and the Consolidated Entity consisting of GPT Management Holdings Limited and its controlled entities.

GPT Management Holdings Limited is a company limited by shares, incorporated and domiciled in Australia.

Through GPT's internet site, GPT has ensured that its corporate reporting is timely, complete and available globally at minimum cost to the Company. All press releases, financial reports and other information is available on GPT's website: www.gpt.com.au.

# CONTENTS

## DIRECTORS' REPORT
Year ended 31 December 2019

The Directors of GPT Management Holdings Limited (the Company), present their report together with the financial statements of GPT Management Holdings Limited and its controlled entities (the Consolidated Entity) for the financial year ended 31 December 2019. The Consolidated Entity is a for profit entity and is stapled to the General Property Trust. The GPT Group (GPT or the Group) financial statements include the results of the stapled entity as a whole.

GPT Management Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is MLC Centre, Level 51, 19 Martin Place, Sydney NSW 2000.

### 1. OPERATING AND FINANCIAL REVIEW

The Consolidated Entity's results are largely driven by the results of General Property Trust (the Trust) and the Wholesale Funds managed by the Consolidated Entity given that management and other fees are driven by the asset value and performance of the underlying properties within these entities.

**About GPT**
GPT is an owner and manager of a $14.85 billion diversified portfolio of high quality Australian retail, office and logistics property assets and together with GPT's funds management platform the Group has $25.3 billion of property assets under management (AUM).

GPT owns some of Australia's most prominent real estate assets, including Melbourne Central and Highpoint Shopping Centre in Melbourne, Australia Square, Governor Phillip Tower & Governor Macquarie Tower, Darling Park and 2 Park Street in Sydney and One One One Eagle Street in Brisbane.

Listed on the Australian Securities Exchange (ASX) since 1971, GPT is today one of Australia's largest diversified listed property groups with a market capitalisation of approximately $10.9 billion. GPT is one of the top 50 listed stocks on the ASX by market capitalisation as at 31 December 2019.

GPT's strategy is focused on leveraging its extensive real estate experience to deliver strong returns through disciplined investment, asset management and development. The development capability has a focus on creating value for securityholders through the enhancement of the core investment portfolio and in the creation of new investment assets.

A key performance measure for GPT is Total Return. Total Return is calculated as the change in Net Tangible Assets (NTA) per security plus distributions per security declared over the year, divided by the NTA per security at the beginning of the year. This focus on Total Return is aligned with securityholders' long term investment aspirations. In 2019 GPT achieved a Total Return of 8.7 per cent.

GPT focuses on maintaining a strong balance sheet. GPT's gearing as at 31 December 2019 was 22.1 per cent and it has maintained a long weighted average debt expiry of 7.7 years. The average cost of debt for 2019 was 3.6 per cent.

**Review of operations**
The Consolidated Entity's financial performance for the year ended 31 December 2019 is summarised below.

The net profit after tax for the year ended 31 December 2019 is $9,565,000 (2018: loss of $40,962,000).

| | **31 Dec 19 $'000** | 31 Dec 18 $'000 | Change % |
|---|---|---|---|
| Property management fees | **44,331** | 43,511 | 2% |
| Development management fees and revenue | **23,014** | 21,634 | 6% |
| Fund management fees | **86,497** | 84,619 | 2% |
| Management costs recharged | **30,608** | 32,059 | (5%) |
| Proceeds from sale of inventory | **96,670** | 28,883 | 235% |
| Other income | **539** | 685 | (21%) |
| Expenses | **(252,083)** | (229,156) | (10%) |
| Profit/(loss) from continuing operations before income tax expense | **29,576** | (17,765) | 266% |
| Income tax expense | **(9,961)** | (7,670) | (30%) |
| Profit/(loss) after income tax for continuing operations | **19,615** | (25,435) | 177% |
| Loss from discontinued operations | **(10,050)** | (15,527) | 35% |
| Net profit/(loss) for the year | **9,565** | (40,962) | 123% |

**Consolidated Entity result**
The net profit after tax compared to the loss recognised at December 2018 is largely attributable to the reversal of impairment expense and lower revaluation of financial arrangements.

**Property management**

**Retail**
The Consolidated Entity is responsible for property management activities across the retail sector. Property management fees decreased to $27,341,000 in 2019 primarily as a result of lower leasing fees and the sale of Homemaker Centre, Maribyrnong in December 2018.

**Office**
The Consolidated Entity is responsible for property management activities across the office sector. Property management fees increased to $14,516,000 in 2019 primarily as a result of increased membership income for Space&Co from the opening of new venues in the second half of 2018 and the expansion of existing venues in 2019.

**Logistics**
The Consolidated Entity is responsible for property management activities across the logistics sector. Property management fees increased to $2,474,000 in 2019 as a result of property acquisitions and the conversion of properties from development assets to operating assets.

**Development management fees and revenue**

Development management fees have increased by 6 per cent overall to $23,014,000 primarily due to increased development activity across the office and logistics portfolios including Queen and Collins, 32 Smith Street Parramatta, 21 Shiny Drive Truganina and the Berrinba assets. This is partially offset by the completion of the 4 Murray Rose Sydney Olympic Park development in 2018 and the practical completion of 50 Old Wallgrove Road Eastern Creek in January 2019.

**Funds Management**

**GPT Wholesale Office Fund (GWOF)**
GWOF's total assets increased to $8.8 billion, up $1.0 billion from 2018 and the fund delivered a one year equity IRR of 10.3 per cent. The management fee income earned from GWOF for 2019 increased by $4.0 million as compared to 2018 due to the increase in the asset value of the portfolio.

As a result of GPT not participating in GWOF's Distribution Reinvestment Plan (DRP) or equity raisings, GPT's ownership reduced to 22.93 per cent (Dec 2018: 23.83 per cent).

**GPT Wholesale Shopping Centre Fund (GWSCF)**
The fund delivered a one year equity IRR of (-3.0 per cent). GWSCF's total assets decreased to $4.5 billion, down $0.3 billion from 2018, primarily driven by the sale of Norton Plaza in October 2019 and asset devaluations. Management fee income earned from GWSCF decreased by $0.3 million as compared with 2018.

As a result of GPT not participating in GWSCF's DRP, GPT's ownership reduced to 28.49 per cent (Dec 2018: 28.57 per cent).

**Management costs recharged**
Management costs recharged reduced by 5 per cent overall to $30,608,000 primarily due to the sale of Homemaker Centre, Maribyrnong in December 2018, MLC Centre in April 2019 and Norton Plaza in October 2019.

**Expenses**
Expenses have increased by 10 per cent overall to $252,083,000 primarily due to increased costs relating to the sale of inventory, partially offset by lower revaluation of financial arrangements.

**Financial position**

| | **31 Dec 19** | 31 Dec 18 | Change |
|---|---|---|---|
| | **$'000** | $'000 | % |
| Current assets | **83,120** | 107,299 | (23%) |
| Non-current assets | **265,548** | 239,101 | 11% |
| **Total assets** | **348,668** | 346,400 | 1% |
| | | | |
| Current liabilities | **103,826** | 70,751 | 47% |
| Non-current liabilities | **128,868** | 175,759 | (27%) |
| **Total liabilities** | **232,694** | 246,510 | (6%) |
| | | | |
| **Net assets** | **115,974** | 99,890 | 16% |

Total assets increased by 1 per cent to $348,668,000 in 2019 (Dec 2018: $346,400,000) primarily due to the recognition of right-of-use assets under AASB 16 *Leases* (refer to note 26 of the financial statements for details) partially offset by the sale of inventories.

Total liabilities decreased by 6 per cent to $232,694,000 in 2019 (Dec 2018: $246,510,000) due to reduced borrowings partially offset by the recognition of lease liabilities under AASB 16.

**Capital management**
The Consolidated Entity has an external loan relating to the Metroplex joint venture.

The Consolidated Entity has related party borrowings from the Trust and its subsidiaries. Under Australian Accounting Standards, the loans are revalued to fair value each reporting period.

**Cash flows**
The cash balance at 31 December 2019 increased to $21,677,000 (Dec 2018: $19,259,000).

**Operating activities:**
Net cash inflows from operating activities have increased in 2019 to $111,412,000 (Dec 2018: $72,706,000) driven by higher proceeds on sale of inventory and lower income tax paid, partially offset by lower cash receipts.

The following table shows the reconciliation from net profit/(loss) to the cash flow from operating activities:

| | **31 Dec 19** | 31 Dec 18 | Change |
|---|---|---|---|
| | **$'000** | $'000 | % |
| Net profit/(loss) for the year | 9,565 | (40,962) | 123% |
| Non-cash items included in net profit/loss | 39,163 | 94,419 | (59%) |
| Timing difference | 62,684 | 19,249 | 226% |
| Net cash flows from operating activities | 111,412 | 72,706 | 53% |

**Investing activities:**
Net cash flows outflows from investing activities have increased to $14,522,000 in 2019 (Dec 2018: $5,371,000) due to higher costs associated with the acquisition of intangible assets.

**Financing activities:**
Net cash outflows from financing activities have increased to $94,472,000 in 2019 (Dec 2018: $68,109,000) primarily due to repayment of related party borrowings.

**Dividends**
The Directors have not declared any dividends for the year ended 31 December 2019 (2018: nil).

## Prospects

The following details the prospects of the Trust and the Wholesale Funds, as the management and other fees earned by the Consolidated Entity are driven by the asset value and performance of the underlying properties within these entities.

**(i) Group**
GPT retains a portfolio of high quality assets with high occupancy levels and structured rental growth. As at 31 December 2019, the Group's balance sheet is in a strong position, with a smooth, long debt expiry profile and net gearing below the Group's target gearing range of 25 to 35 per cent due to the sale of MLC Centre and the equity raise during the period.

**(ii) Retail**
Despite challenging conditions facing the retail environment, the retail portfolio has delivered positive sales productivity growth with weighted total centre MAT per sqm up 1.1 per cent and total specialty MAT per sqm up 1.9 per cent and remains well leased with occupancy at 99.6 per cent. GPT's assets are predominantly located in NSW and Vic which continue to experience solid economic and population growth. The Group continues to invest in its retail assets to provide engaging places for customers, to attract best in class retailers which will result in delivering consistent long term returns. The expansion of Melbourne Central and Rouse Hill will be opportunities for GPT to deliver leading examples on how retail assets need to evolve and adapt to meet the changing needs of today's retail consumer.

**(iii) Office**
GPT is progressing its future development pipeline in Sydney and Melbourne. Stage 1 Development Approval has been achieved for the proposed new office tower and retail precinct of up to 73,000sqm at Darling Park in Sydney. An International Design Competition for this project is nearing completion. In Melbourne, the Group is seeking a pre-commitment tenant for a proposed 20,000sqm office tower at Melbourne Central.

The Eastern Seaboard CBD office markets continued to experience favourable conditions during the past 12 months with vacancy rates in Sydney and Melbourne remaining low, at 5.0 per cent and 3.4 per cent respectively as at December 2019. Brisbane's vacancy rate has contracted in the 12 months from 13.2 per cent to 11.7 per cent. Vacancy rates in Sydney and Melbourne are forecast to increase over the short to medium term as new supply is delivered, while Brisbane vacancy is expected to decline as a result of the improving Queensland economy and limited supply forecast to be delivered in the near term.

**(iv) Logistics**
GPT is executing on its strategy to increase its portfolio weighting to the Logistics sector through the acquisition of investment assets and build out of the development pipeline. Industrial markets continue to benefit from sustained occupier demand, underpinned by infrastructure spending, population growth and e-commerce driving increased supply chain sophistication. These factors, together with strong investor demand for prime logistics facilities has resulted in firming of capitalisation rates.

**(v) Funds management**
GPT has a large funds management platform which has experienced significant growth in the value of assets under management over the past five years. The funds management team will continue to actively manage the existing portfolios, with new acquisitions, divestments and developments in line with the investment objectives of each fund.

**(vi) Guidance for 2020**
In 2020 GPT expects to deliver 3.5 per cent growth in FFO per ordinary security and 3.5 per cent growth in distribution per ordinary security. Achieving this target is subject to risks detailed in the following section.

## Risk management

GPT's approach to risk management incorporates culture, people, processes and systems to enable the organisation to realise potential opportunities whilst managing potential adverse effects. This commitment to integrated risk management is consistent with AS/NZS ISO 31000:2018: Risk Management.

GPT has an enterprise-wide Risk Management Framework which is overseen by the Board and which consists of the following key elements:

1. **Risk Policy** – The Risk Policy sets out GPT's approach to risk management. It is reviewed annually by the Sustainability and Risk Committee (a sub-committee of the GPT Board) and is available on the GPT website.
2. **Risk Appetite** – The Board sets GPT's risk appetite to align with the company's vision, purpose and strategy. The risk appetite is documented in the Group's Risk Appetite Statement, against which all key investment decisions are measured.
3. **Risk Governance** – The Board is supported in its oversight of the Risk Management Framework by the Sustainability and Risk Committee which reviews the effectiveness of the Framework, and by the Audit Committee, the Leadership Team and the Investment Committee.
4. **Risk Culture** – GPT is committed to maintaining a transparent and accountable culture where risk is actively considered and managed in our day-to-day activities.
5. **Risk Management Processes** – GPT has robust processes in place for the identification, assessment, treatment and reporting of risk.

The following table sets out GPT's material risks and opportunities and what we are doing in response to them.

| Risks and Opportunities | Our Response |
|---|---|
| **Portfolio Operating and Financial Performance**<br><br>Our portfolio operating and financial performance is influenced by internal and external factors including our investment decisions, market conditions, interest rates, economic factors and potential disruption. | • GPT's portfolio is diversified by sector and geography<br>• Review of market conditions twice a year, including briefings from economists<br>• Scenario modelling and stress testing of assumptions<br>• A disciplined investment approval process, including extensive due diligence requirements<br>• A development pipeline to enhance asset returns and maintain asset quality<br>• Active management of our assets, including leasing, to ensure a large and diversified tenant base with limited single tenant exposure<br>• Experienced management, supplemented with external capabilities where appropriate<br>• A structured program of investor engagement |
| **Development**<br><br>Development provides the Group with access to new, high quality assets. Delivering assets that exceed our risk adjusted return requirements and meet our sustainability objectives is critical to our success. | • A disciplined investment approval process, including extensive due diligence requirements<br>• Oversight of developments through regular cross-functional Project Control Group meetings<br>• Scenario modelling and stress testing of assumptions<br>• Experienced management capability<br>• Limits on the proportion of the portfolio under development at any time<br>• Limits on individual contractor exposure<br>• Appropriate minimum leasing pre-commitments to be achieved prior to construction commencement |
| **Capital Management**<br><br>Effective capital management is imperative to meet the Group's ongoing funding requirements and to withstand market volatility. | • Maximum gearing range of 25 to 35 per cent consistent with a stable investment grade "A category" credit rating<br>• Maintenance of a minimum liquidity buffer in cash and surplus committed credit facilities<br>• Diversified funding sources<br>• Maintenance of a long weighted average debt term, with limits on the maximum amount of debt expiring in any 12 month period<br>• Hedging of interest rates to keep exposure within prescribed limits<br>• Limits on currency exposure<br>• Limits on exposure to counterparties |
| **Health and Safety**<br><br>GPT is committed to promoting and protecting the health, safety and wellbeing of its people, customers, contractors and all users of its assets. | • A culture of safety first and integration of safety risk management across the business<br>• Comprehensive Health and Safety management systems<br>• Training and education of employees and induction of contractors<br>• Engagement of specialist safety consultants to assist in identifying risks and appropriate mitigation actions<br>• Prompt and thorough investigation of all safety incidents to ascertain root causes and prevent future occurrences. Participation in knowledge sharing within the industry<br>• Comprehensive Crisis Management and Business Continuity Plans, tested annually |
| **People and Culture**<br><br>Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports GPT's core values. | • Active adoption and promotion of GPT's Values<br>• A comprehensive Code of Conduct (including consequences for non-compliance)<br>• Employee Engagement Surveys every two years with action plans to address results<br>• An annual performance management process, setting objectives and accountability<br>• Promotion of an inclusive workplace culture where differences are valued, supported by policies and training<br>• A Diversity and Inclusion Working Group, chaired by the GPT CEO<br>• Monitoring of both risk culture and conduct risk<br>• An incentive system with capacity for discretionary adjustments and clawback policy<br>• Benchmarking and setting competitive remuneration<br>• Development and succession planning<br>• Workforce planning |
| **Environmental and Social Sustainability**<br><br>Delivering sustainable outcomes for investors, customers, communities and the environment, today and for future generations, is essential. GPT understands and recognises that changes to the environment can affect our assets and business operations. | • An Environment and Sustainability Management System, including policies and procedures for managing environmental and social sustainability risks<br>• Participation in the Dow Jones Sustainability Index, Global Real Estate Sustainability Benchmark and other industry benchmarks<br>• Climate related risks and potential financial impacts are assessed within GPT's enterprise-wide Risk Management Framework<br>• Climate change reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures<br>• Active community engagement via the GPT Foundation, GPT's Reconciliation Action Plan and other targeted programs<br>• Supply chain review, changes to the procurement process and amendment of standard contracts in response to Modern Slavery legislation |

| Risks and Opportunities | Our Response |
|---|---|
| **Technology and Cyber Security**<br><br>Our ability to respond to a major cyber security threat and breaches of our information technology systems is vital to ensure ongoing business continuity and the safety of people and assets. | • Technology risk management framework including third party risk management procedures around cyber security<br>• Privacy policy, guidelines and procedures<br>• Compulsory cyber security awareness training twice a year<br>• Annual security testing completed by a specialist external security firm, including penetration testing, phishing exercises and social engineering testing<br>• A comprehensive Cyber Security Incident Response Plan<br>• A Disaster Recovery Plan including annual disaster recovery testing<br>• Technology solutions in place to monitor GPT platforms and provide alerts to anomalous behaviour<br>• An Information Security Risk and Compliance Committee which oversees the Information Security Policy and related policies<br>• Alignment to the National Institute of Standards and Technology (NIST) Cyber Security Framework |
| **Compliance and Regulation**<br><br>We ensure compliance with all applicable regulatory requirements through our established policies and frameworks. | • An experienced management team with Legal, Tax, Finance, Compliance and Risk Management expertise<br>• Engagement of external expert advisors as required<br>• An internal and external audit program overseen by the Audit Committee of the Board<br>• Active management of the Group's Compliance Plans, in accordance with the requirements of the Corporations Law<br>• Internal Committees such as a Continuous Disclosure Committee, a Data Privacy Committee and a Cyber Security Governance Committee to monitor key compliance risks<br>• An Anti-money Laundering and Counter-terrorism Financing Policy, a Conflicts Management Policy, a Code of Conduct and other internal policies and procedures which are regularly reviewed and actively enforced<br>• An ongoing program of training which addresses all key compliance requirements<br>• Active involvement in the Property Council of Australia and other industry bodies |

## 2. TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURE

Climate change is a global challenge. GPT recognises that changes to the environment can influence the operation of our business and our assets, and we are committed to identifying and managing climate change risks across our business.

As a market leading owner and manager of a $25.3 billion portfolio of office, logistics and retail properties across Australia, GPT recognises the importance of transparently identifying and managing the foreseeable climate-related risks and opportunities likely to impact on the property sector. These impacts are already starting to manifest, with the world seeing an increase in the frequency and intensity of extreme weather events as a consequence of climate change.

In 2019, GPT undertook work to create a series of climate change disclosures aligned to the Taskforce for Climate-related Financial Disclosure (TCFD) recommendations. The TCFD provides a framework for more effective climate-related financial disclosures, addressing four key areas: governance, strategy, risk management and metrics and targets.

In preparing this report, a cross-functional reference group was established to identify foreseeable risks and opportunities under three different climate change related scenarios and to formulate GPT's ongoing climate change response plans.

GPT's detailed TCFD disclosure statement is available on our website: https://gpt.com.au/index.php/sustainability

**Governance**
Our approach to managing and reporting climate change risks and opportunities is guided by our overarching commitment to sustainability, outlined in our Sustainability Policy.

Climate change risks and potential financial impacts are assessed within GPT's Risk Management Framework, and GPT's Board of Directors ("Board") has ultimate responsibility for overseeing the application and management of the Framework. The Board established the Sustainability and Risk Committee ("Committee") to assist it in meeting certain areas of its responsibilities. Key areas of responsibility for the Committee includes oversight of the risk management, compliance and internal controls frameworks of GPT. In addition, the Audit Committee also supports the Board by considering material risks in the context of GPT's financial reporting.

GPT's Chief Executive Officer (CEO) and Managing Director is accountable for ensuring that the Group is identifying, assessing and managing climate change risks and opportunities in accordance with GPT's Risk Management Framework. The Chief Risk Officer (CRO) has direct responsibility for managing GPT's Sustainability Team, which has responsibility for formulating and implementing GPT's sustainability initiatives across the business.

Accountability for the Group's sustainability targets and outcomes is reinforced through Key Performance Indicators (KPIs) that are included in the performance agreements of the CEO, the Leadership Team, all members of the Sustainability Team and key operational level staff members. In the case of the CEO, and the Leadership Team, these KPIs are directly linked to financial outcomes.

**Strategy**
In October 2017, GPT announced its target to operate its buildings on a carbon neutral basis by 2030. We are focused on eliminating emissions within our control and working proactively to influence and assist others to reduce their emissions. GPT's target, and the approach to managing emissions and energy consumption, are outlined in the Group's Climate Change and Energy Policy and are delivered through an ISO 14001 Environmental Management System.

To better understand the potential impact of climate change on our business, and to test the resilience of our strategy, GPT undertook scenario analysis in line with TCFD recommendations. A detailed summary of the scenarios adopted by GPT and potential risks and opportunities that may impact GPT as identified by this analysis can be found in the Group's detailed TCFD disclosure statement which is available on our website. The following scenarios were considered:

- The high emissions scenario assumed a long term average temperature rise of 4°C. This reflects a business as usual scenario where little to no additional action is taken by the broader global community to curb emissions growth. Under this scenario, physical risks are expected to increase in line with climatic changes, with minimal transitional impacts;
- GPT's medium emissions scenario broadly aligns with the Paris Agreement's 2°C goal and is based on an emissions outcome that would see Australia's economy fully decarbonised by approximately 2050. Under this scenario, the property sector will face a mix of physical and transition climate risks and opportunities; and
- The low emissions scenario represents the most ambitious global emissions outcome and is broadly aligned with limiting global warming to 1.5°C. Under this scenario, global greenhouse gas (GHG) emissions would peak in the near term, declining thereafter.

GPT has developed an Energy Master Plan to support the achievement of our net zero carbon emissions targets. The Plan provides a roadmap for the Group to achieve its net zero carbon emissions targets. The Plan takes a holistic approach to energy management with a view to mitigating the impacts of the transition to a low carbon economy and possible changes in energy policy over time.

GPT's approach to reducing or eliminating carbon emissions as part of our carbon neutral pathway is achieved in several ways, including reducing energy use by the implementation of energy efficiency programs, generating and purchasing renewable energy and eliminating gas use in buildings. As we are not yet able to eliminate all waste, gas or fugitive emissions, GPT purchases carbon offsets to address these residual emissions.

**Risk Management**
Effective risk management is fundamental to achieving our strategic and operational objectives. GPT's Risk Team applies an enterprise wide Risk Management Framework ("Framework") to monitor the operation of risk management processes and assist in the identification, assessment, treatment and monitoring of identified risks. The Risk Team supports the GPT Leadership Team, Board sub-committees and the GPT Board in ensuring that the business is managing risk appropriately.

To support the business in identifying and assessing climate change risks and opportunities, the TCFD Reference Group was established. The Reference Group identified and assessed the climate change risks and opportunities for each of the three climate scenarios adopted by GPT by applying GPT's Risk Assessment Matrix and Consequence Table, which define measures of likelihood and consequence. The likelihood assessment of physical climate change risks was based on the degree to which the frequency of the event is expected to change in the future under the three climate scenarios. Transition risk likelihood was assessed by considering the likelihood of policy, market, technology and reputational changes impacting GPT based on the expected global emissions reduction ambitions under each scenario.

Climate change risks and potential financial impacts are assessed within the Framework and are recorded in the Sustainability and Risk Committee's Key Risk Dashboard.

The financial effects of GPT's response to identified climate change risks and opportunities are embedded in our capital and operational expenditure plans. Our management of environmental issues is also a qualitative part of the GPT brand that contributes to decision making for our tenants in choosing our buildings and for investors choosing to invest in GPT and our funds.

**Metrics & Targets**
GPT monitors its direct climate change impacts, and reports on its emissions, energy, water and waste on a property by property basis annually. This information is publicly available in our Environment Data Pack, which includes a portfolio level summary for all indices (electricity, water, fuels, materials, recycling and emissions) since 2005.

The Group obtains external assurance over sustainability performance data including the following climate-related metrics for its portfolio, including: energy consumption and energy production in base building and tenancies, Scope 1, 2 and 3 greenhouse gas, water consumption, waste inputs and outcomes by grade.

The operations of GPT's corporate offices, which includes travel and consumables, have been on a carbon neutral basis since 2011. GPT obtains external validation of its carbon neutral status through the Australian Government's Climate Active certification (formerly NCOS). The certifications cover material Scope 1, 2 and 3 emissions. Adjusting for the purchase of Green Power and carbon offsets, GPT's net emissions from its operations are zero.

**Next Steps**
In 2020, the Group will be progressing the integration of climate change risks and opportunities into GPT's business planning and operations, including additional disclosure of how this is being achieved.

Further detailed analysis of climate scenarios will also be undertaken, with the results of this analysis to be reflected in the Group's strategic plans. GPT will also seek to put plans in place for each sector portfolio to achieve carbon neutrality.

The Group will undertake ongoing analysis of the climate change risks and opportunities, the results of which will be used to update the Group's risk registers and inform future management activities. In addition, the Group plans to adopt relevant metrics to monitor and measure progress in managing climate change risks and opportunities.

## 3. ENVIRONMENTAL REGULATION

GPT has policies and procedures in place that are designed to ensure that where operations are subject to any particular and significant environmental regulation under a law of Australia (for example property development and property management), those obligations are identified and appropriately addressed. This includes obtaining and complying with conditions of relevant authority consents and approvals and obtaining necessary licences. GPT is not aware of any significant breaches of any environmental regulations under the laws of the Commonwealth of Australia or of a State or Territory of Australia and has not incurred any significant liabilities under any such environmental legislation.

GPT is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 ("NGER Act"). The NGER Act requires GPT to report its annual greenhouse gas emissions and energy use. The measurement period for GPT is 1 July to 30 June each year. GPT has implemented systems and processes for the collection and calculation of the data required which enables submission of its report to the Department of Climate Change and Energy Efficiency within the legislative deadline of 31 October each year. GPT has submitted its report to the Department of Climate Change and Energy Efficiency for the period ended 30 June 2019 within the required timeframe.

More information about GPT's participation in the NGER program is available at www.gpt.com.au.

## 4. EVENTS SUBSEQUENT TO REPORTING DATE

The Consolidated Entity sold lot 312 on 24 January 2020 at 30 Nashos Place, Wacol (Metroplex). The Consolidated Entity's share of the total consideration for this sale was $735,000.

Other than the above, the Directors are not aware of any matter or circumstances occurring since 31 December 2019 that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years.

## 5. DIRECTORS AND SECRETARY

**Information on Directors**

**Vickki McFadden – Chairman**
Vickki was appointed to the Board on 1 March 2018 and is also the Chairman of the Nomination Committee and a member of the Human Resources and Remuneration Committee. She brings a broad range of skills and experience to the Group gained during an 19 year career spanning investment banking, corporate finance and corporate law, and through her current and previous board-level positions.

Vickki currently holds Non-Executive directorships in the following listed entities and other entities:
- Tabcorp Holdings Limited (since 2017);
- Newcrest Mining Limited (since 2016); and
- Myer Family Investments Pty Limited (since 2011).

She is also a Member of Chief Executive Women and a Member of the Advisory Board and Executive Committee of the UNSW Business School.

Vickki was previously Chairman of Eftpos Payments Australia Limited, Chairman of Skilled Group Limited (prior to its acquisition by Programmed Maintenance Services Limited), a Non-Executive Director of Leighton Holdings Limited, President of the Takeovers Panel and a Managing Director of Investment Banking at Merrill Lynch Australia.

As at the date of this report she holds 52,525 GPT stapled securities.

**Robert Johnston – Chief Executive Officer and Managing Director**
Bob was appointed to the Board as Chief Executive Officer and Managing Director in September 2015. Bob is also a member of the Nomination Committee. He has 32 years' experience in the property sector including investment, development, project management and construction in Australia, Asia, the US and UK. Prior to joining GPT, Bob was the Managing Director of listed Australand Property Group which became Frasers Australand in September 2014.

As at the date of this report he holds 1,314,463 GPT stapled securities.

**Eileen Doyle (retired in May 2019)**
Eileen was appointed to the Board in March 2010. At the time of her retirement from the Board she was the Chairman of the Sustainability and Risk Committee and a member of the Nomination Committee and the Audit Committee. She has diverse and substantial business experience having held senior executive roles and directorships in a wide range of industries, including research, financial services, building and construction, steel, mining, logistics and export. Eileen is also a Fellow of the Australian Academy of Technological Sciences and Engineering.

At the time of her retirement from the Board, Eileen held the position of Non-Executive Director in the following listed and other entities:
- Boral Limited (since 2010); and
- Oil Search Limited (since 2016).

Eileen was also previously a Director of Bradken Limited from 2011 to November 2015.

As at the date of retirement from the Board she held 45,462 GPT stapled securities.

**Swe Guan Lim (retired in December 2019)**
Swe Guan was appointed to the Board in March 2015 and at the date of his retirement from the Board was a member of the Nomination Committee and the Audit Committee. Swe Guan bought significant Australian real estate skills and experience and capital markets knowledge to the Board, having spent most of his executive career as a Managing Director in the Government Investment Corporation (GIC) in Singapore.

Swe Guan is currently Chairman of Cromwell European REIT in Singapore (since 2017) and a Director of Sunway Berhad in Malaysia (since 2011). Swe Guan is also a member of the Investment Committee of CIMB Trust Cap Advisors and was formerly a Director of Global Logistics Property in Singapore until January 2018.

As at the date of retirement from the Board he held 39,000 GPT stapled securities.

**Michelle Somerville**
Michelle was appointed to the Board in December 2015 and is also the Chairman of the Audit Committee and a member of the Nomination Committee and the Sustainability and Risk Committee. She was previously a partner of KPMG for nearly 14 years specialising in external audit and advising Australian and international clients both listed and unlisted primarily in the financial services market in relation to business, finance risk and governance issues.

Michelle currently holds the position of Non-Executive Director in the following entities:
- IOOF Holdings Limited (since 2019);
- Bank Australia Limited (since 2014);
- Save the Children (Australia) (since 2012); and
- Down Syndrome Australia (since 2011).

Michelle is also an independent consultant to the UniSuper Ltd Audit, Risk and Compliance Committee since 2015 and she was previously a Non-Executive Director of Challenger Retirement and Investment Services Ltd.

As at the date of this report she holds 36,663 GPT stapled securities.

**Gene Tilbrook**
Gene was appointed to the Board in May 2010 and is also the Chairman of the Sustainability and Risk Committee and a member of the Nomination Committee and the Audit Committee. He brings extensive experience in finance, corporate strategy, investments and capital management.

Gene currently holds the position of Non-Executive Director in the following listed entities:
- Orica Limited (since 2013); and
- Woodside Petroleum Limited (since 2014).

Gene was also previously a Director of other listed entities including Fletcher Building Limited and Aurizon Holdings Limited (2010 to February 2016).

As at the date of this report he holds 51,071 GPT stapled securities.

**Angus McNaughton**
Angus was appointed to the Board in November 2018 and is also a member of the Human Resources and Remuneration Committee, Nomination Committee and the Audit Committee. He brings extensive experience in property investment, development and management and funds investment.

Angus was previously the CEO and Managing Director of Vicinity Centres from August 2015 until December 2017. Prior to that time, Angus served as the Managing Director Property for Colonial First State Global Asset Management from 2011, before becoming the CEO and Managing Director of ASX-listed Novion Property Group in 2014. Angus led Novion through to the completion of the merger between Novion and Federation Centres, renamed as Vicinity Centres, in June 2015.

Angus does not currently hold any Non-Executive Director roles in other listed entities. Angus is a member of the REST Due Diligence Review Panel.

He was also previously Director, Real Estate of First State Investments in Singapore and Chief Executive Officer of Kiwi Income Property Trust in New Zealand.

As at the date of this report he holds 8,196 GPT stapled securities.

**Tracey Horton AO (appointed 1 May 2019)**
Tracey joined the GPT Board in May 2019 and is Chairman of the Human Resources and Remuneration Committee, and a member of the Nomination Committee and the Sustainability and Risk Committee.

Tracey currently holds the position of Non-Executive Director of listed entity Nearmap Ltd (since 2019) and is Acting President of the Australian Takeovers Panel and Deputy Chairman of the Australian Institute of Company Directors. Tracey is also Chair of the Australian Industry and Skills Committee and a Commissioner for Tourism Western Australia.

Tracey was previously a Non-Executive Director of Navitas Limited from June 2012 to July 2019 (Chairman from November 2016 to July 2019), a Non-Executive Director of Skilled Group and Automotive Holdings Group, president of the Chamber of Commerce and Industry (WA) and Winthrop Professor and Dean of the University of Western Australia's Business School. Prior to that she held executive and senior management roles in North America with Bain & Company in North America, and in Australia with Poynton and Partners and the Reserve Bank of Australia.

As at the date of this report she holds 7,525 GPT stapled securities.

**Mark Menhinnitt (appointed 1 October 2019)**
Mark joined the GPT Board in October 2019 and is a member of the Nomination Committee and the Sustainability and Risk Committee.

Mark has significant investment management, construction, development and urban regeneration experience in the real estate and infrastructure sectors, drawn from his 30 year career at Lend Lease including as CEO of Lendlease Australia.

Mark does not currently hold any Non-Executive roles in other listed entities.

Mark is a graduate member of the Australian Institute of Company Directors and a fellow of the Governance Institute of Australia.

As at the date of this report he holds 15,000 GPT stapled securities.

**James Coyne – General Counsel and Company Secretary**
James is responsible for the legal, compliance and company secretarial activities of GPT. He was appointed as the General Counsel and Company Secretary of GPT in 2004. His previous experience includes company secretarial and legal roles in construction, infrastructure, and the real estate funds management industry (listed and unlisted).

**Lisa Bau – Senior Legal Counsel and Company Secretary**
Lisa was appointed as a Company Secretary of GPT in September 2015. Her previous experience includes legal roles in mergers and acquisitions, capital markets, funds management and corporate advisory.

**Attendance of directors at meetings**
The number of Board meetings, including meetings of Board Committees, held during the financial year and the number of those meetings attended by each Director is set out below:

| | Board | | Audit Committee | | Human Resources and Remuneration Committee | | Sustainability and Risk Committee | | Nomination Committee | |
|---|---|---|---|---|---|---|---|---|---|---|
| | No. of meetings | Attended | No. of meetings | Attended | No. of meetings | Attended | No. of meetings | Attended | No. of meetings | Attended |
| Vickki McFadden[1] | 13 | 13 | - | - | 6 | 6 | - | - | 3 | 3 |
| Bob Johnston[1] | 13 | 13 | - | - | - | - | - | - | 3 | 3 |
| Eileen Doyle | 4 | 4 | 2 | 2 | - | - | 1 | 1 | 2 | 2 |
| Tracey Horton AO | 10 | 10 | - | - | 4 | 4 | 3 | 3 | 1 | 1 |
| Swe Guan Lim | 13 | 13 | 6 | 6 | - | - | 3 | 3 | 3 | 3 |
| Angus McNaughton | 13 | 13 | 6 | 6 | 6 | 6 | - | - | 3 | 3 |
| Mark Menhinnitt | 4 | 4 | - | - | - | - | 1 | 1 | 1 | 1 |
| Michelle Somerville | 13 | 13 | 6 | 6 | - | - | 4 | 4 | 3 | 3 |
| Gene Tilbrook | 13 | 13 | 4 | 4 | 2 | 2 | 3 | 3 | 3 | 3 |

(1) Vickki McFadden and Bob Johnston attended all meetings of the Committees as non-members. All Directors may attend any Committee meeting.

## 6. OTHER DISCLOSURES

**Indemnification and insurance of directors, officers and auditor**
GPT provides a Deed of Indemnity and Access (Deed) in favour of each of the Directors and Officers of GPT and its subsidiary companies and each person who acts or has acted as a representative of GPT serving as an officer of another entity at the request of GPT. The Deed indemnifies these persons on a full indemnity basis to the extent permitted by law for losses, liabilities, costs and charges incurred as a Director or Officer of GPT, its subsidiaries 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 and Officers of GPT, its subsidiary companies or such other entities, and other payments arising from liabilities incurred by the Directors and Officers in connection with such proceedings. GPT has agreed to indemnify the auditors out of the assets of GPT if GPT has breached the agreement under which the auditors are appointed.

During the financial year, GPT paid insurance premiums to insure the Directors and Officers of GPT and its subsidiary companies. The terms of the contract prohibit the disclosure of the premiums paid.

**Non-audit services**
During the year PricewaterhouseCoopers, GPT's auditor, has performed other services in addition to their statutory duties. Details of the amounts paid to the auditor, which includes amounts paid for non-audit services and other assurance services, are set out in note 21 to the financial statements.

The Directors have considered the non-audit services and other assurance services provided by the auditor during the financial year. In accordance with advice received from the Audit 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 Committee reviewed the non-audit services and other assurance services 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 Committee concluded that the auditor independence was not compromised, having regard to the Board's policy with respect to the engagement of GPT's auditor; and
- the fact that none of the non-audit services provided by PricewaterhouseCoopers during the financial year had the characteristics of management, decision-making, self-review, advocacy or joint sharing of risks.

**Auditor's independence declaration**
A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 22 and forms part of the Directors' Report.

**Rounding of amounts**
The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the Consolidated Entity under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Consolidated Entity is an entity to which the Instrument applies.

## 7. REMUNERATION REPORT

The Human Resources and Remuneration Committee (the Committee) of the Board presents the Remuneration Report (Report) for the GPT Group. This Report has been audited in accordance with section 308(3C) of the *Corporations Act 2001.*

The Board aims to ensure that the GPT Group's remuneration platform is both market competitive and fair to all stakeholders; aligns performance measures to the achievement of GPT's strategic objectives; and communicates the remuneration outcomes clearly and transparently.

### Governance

| | |
|---|---|
| **Who are the members of the Committee?** | The Committee consists of the following three Non-Executive Directors:<br>• Tracey Horton AO (Committee Chairman)<br>• Vickki McFadden<br>• Angus McNaughton<br>2019 saw renewal and change on the Committee in line with changes to the Board:<br>• Tracey Horton joined GPT on 1 May 2019 and was appointed Chairman of the Committee from 16 May 2019 while Gene Tilbrook stepped down from the Committee on 16 May 2019. |

| | |
|---|---|
| **What is the scope of work of the Committee?** | In 2019 the Committee undertook the following activities on behalf of the Board:<br>• Oversee the management of culture.<br>• Implement, monitor, evaluate and oversee GPT's remuneration framework.<br>• Review and recommend to the Board for approval the remuneration for the Board, Chief Executive Officer and Managing Director (CEO) and approve remuneration for executives that are direct reports to the CEO.<br>• Review and recommend to the Board for approval the key performance indicators for the CEO and assess the CEO's performance against those key performance indicators.<br>• Review compliance with legal and regulatory requirements associated with the activities of the Committee.<br>• Oversee the succession planning process for the Leadership Team (excluding the CEO, which is a responsibility of the Nomination Committee [1]).<br>• Approve and oversee the implementation of GPT's diversity & inclusion strategy, initiatives and policies.<br>• Receive reports in relation to talent development and employee engagement initiatives. |
| **Who is included in the Remuneration Report?** | GPT's Key Management Personnel (KMP) are the individuals responsible for planning, controlling and managing the GPT Group (being the Non-Executive Directors, CEO, Chief Financial Officer (CFO), and the Chief Operating Officer (COO)). |

## Committee key decisions and remuneration outcomes in 2019

| Platform component | Key decisions and outcomes |
|---|---|
| **Base Pay (Fixed)** | • Implemented the annual review of employee base pay effective 1 January 2019, with an overall increase of 2.51%.<br>• Following benchmarking, implemented an annual review of Non-Executive Director base and committee fees effective 1 January 2019, with an average increase of 1.72% to bring Non-Executive Directors' remuneration closer to market. |
| **Short Term Incentive Compensation (STIC)** | • Maintained Funds from Operations (FFO) growth per security as the primary measure of Group financial performance.<br>• The Group achieved an FFO growth per security outcome of 2.6%. The Committee exercised its discretion to adjust the FFO per security outcome taking into account the dilution resulting from the equity raise and interest expense savings from the hedge restructure. This resulted in an outcome between target and stretch and a STIC pool of $15.8 million.<br>• Maintained a deferred equity component of STIC vesting in one tranche at the end of the year following the conclusion of the performance period.<br>• Determined that the calculation for the number of securities to be issued under the security-based component of GPT's STIC award be made by reference to the 30-day Volume Weighted Average Price (VWAP) immediately before the end of the relevant performance period from 2020 onward [2]. |
| **Long Term Incentive (LTI) Compensation** | • Achieved a compound annual Total Return [3] for the 2017-19 period of 13.19%, exceeding the benchmark of 10% for maximum award, and delivered a Total Securityholder Return (TSR) [4] of 41.33% which exceeded the ASX 200 AREIT Accumulation Index (the Index) performance of 40.85% by 0.48%[5].<br>• Implemented the 2019-2021 LTI with two performance measures, Total Return and Relative TSR.<br>• Maintained the same performance hurdles, ranges and vesting schedules as the prior year's LTI plan.<br>• Determined that the calculation for the number of performance rights issued under future LTI plans be made by reference to the 30-day VWAP immediately prior to the commencement of the performance period from 2020 onward[6] |
| **Other employee ownership plans** | • Continued the General Employee Security Ownership Plan (GESOP) for 108 STIC eligible employees not in the LTI. Under GESOP each participant receives an amount equal to 10% of their STIC (less tax) delivered in GPT securities, which must be held for at least 1 year.<br>• Continued the Broad Based Employee Security Ownership Plan (BBESOP) for 258 employees ineligible for GESOP. Under BBESOP, subject to GPT achieving the annual FFO growth per security target, participants receive $1,000 worth of GPT securities that cannot be transferred or sold until the earlier of 3 years from the allocation date or cessation of employment (or $1,000 cash (less tax) at the election of the individual). |
| **Policy and governance** | • Operated in accordance with the Human Resources and Remuneration Committee Charter [7].<br>• Completed an annual review of the Charter.<br>• Ensured clear accountabilities for culture and that systems to monitor it were in place.<br>• Ensured that the remuneration framework balances risk and return and promotes appropriate risk taking behaviours.<br>• Oversaw the implementation of key policies and practices in support of GPT's remuneration and incentive framework.<br>• Sought independent external advice on market compensation benchmarks and practice, prevailing regulatory and governance standards [8]. |

[1] Effective 1 January 2019 a Nomination Committee was formed consisting of the full Board. Further information about the role and responsibility of both the Committee and the Nomination Committee is set out in their respective Charters, which are available on GPT's website (www.gpt.com.au). No additional fees are paid for membership of the Nomination Committee.
[2] The number of securities to be issued under the security-based component of GPT's STIC and LTI award is currently calculated with reference to the Quarter 4 (Q4), VWAP immediately preceding the commencement of the performance period i.e. 1 October 2018 to 31 December 2018.
[3] Total Return is defined as the sum of the change in Net Tangible Assets (NTA) and distributions over the performance period, divided by the NTA at the beginning of the performance period.
[4] TSR represents an investor's return, calculated as the percentage difference between an initial amount invested in stapled securities and the final value of those stapled securities at the end of the relevant period, assuming distributions were reinvested.
[5] 2017-19 LTI vesting outcome set out in Group Financial Performance and Incentive Outcomes section (refer Table 5).
[6] Refer to footnote 2.
[7] The Charter is available on GPT's website (www.gpt.com.au).
[8] During 2019, no remuneration recommendations in relation to Key Management Personnel, as defined by Division 1 of Part 1.2 of Chapter 1 of the *Corporations Act 2001*, were made by these or other consultants.

## GPT's vision and financial goals linked to remuneration structures

| GPT's vision and financial goals | | | |
|---|---|---|---|
| **To be the most respected property company in Australia in the eyes of our Investors, People, Customers and Communities** | **Total Return > 8.5%** | **Generate competitive Relative Total Securityholder Return** | **Generate competitive FFO growth per security** |

| Total remuneration components | | | |
|---|---|---|---|
| **Base pay (Fixed)**<br>• Base level of reward.<br>• Set around Australian market median using external benchmark data.<br>• Reviewed based on employee's responsibilities, experience, skill and performance.<br>• External and internal relativities considered. | **STIC (variable)**<br>• Discretionary, at risk, and with aggregate STIC funding aligned to overall Group financial outcomes.<br>• Set around market median for target performance with potential to achieve top quartile for stretch outcomes.<br>• Determined by GPT and individual performance against a mix of balanced scorecard measures which include financial and non-financial measures.<br>• Financial measures include FFO growth per security, and earnings at portfolio, fund and/or property level as relevant.<br>• Non-financial objectives focus on execution of strategy, delivery of key projects and developments, and people and culture objectives.<br>• Delivered in cash, or (for senior executives), a combination of 50% cash and 50% equity with deferred vesting for 1 year [9]. | **LTI (variable)**<br>• Discretionary, at risk performance rights, aligned to overall Group financial outcomes.<br>• Set around market median for target performance with potential to achieve top quartile for stretch outcomes.<br>• Vesting determined by GPT performance against Total Return and Relative TSR financial performance.<br>• Relative TSR is measured against ASX200 AREIT Accumulation Index (including GPT).<br>• Assessed over a 3 year performance period, no re-testing.<br>• No value derived unless GPT meets or exceeds defined performance measures.<br>• Delivered in GPT securities to align executive and securityholder interests. | **Other employee ownership plans (variable)**<br>**GESOP**<br>• Supplementary award for STIC eligible individuals who are ineligible for LTI.<br>• Equal to 10% of STIC outcome (less tax) i.e. subject to same performance criteria as STIC and delivered in GPT securities around the same time as the cash STIC payment.<br>• Must be held for at least 1 year.<br>**BBESOP**<br>• For individuals ineligible for STIC or LTI.<br>• GPT must achieve at least Target outcome on annual FFO growth per security for the plan to operate.<br>• A grant of $1,000 worth of GPT securities which must be held until the earlier of 3 years from the allocation date or cessation of employment or $1,000 cash (less tax) at the election of the individual. |

| | |
|---|---|
| **Attract, retain, motivate and reward high calibre executives to deliver superior performance by providing:**<br>• Competitive rewards.<br>• Opportunity to achieve incentives beyond base pay based on performance [10]. | **Align executive rewards to GPT's performance and securityholder interests by:**<br>• Assessing incentives against financial and non-financial business measures that are aligned with GPT strategy.<br>• Delivering a meaningful component of executive remuneration in the form of equity subject to performance hurdles being achieved.<br>• Enabling the Board to modify remuneration outcomes as a result of adverse circumstances becoming known post the granting, payment or vesting under the STIC or LTI schemes [11]. |

## GPT's Values and Culture

GPT is focussed on creating the conditions in which its people can realise their potential and consistently deliver high performance. GPT does this through the combination of a diverse workforce and inclusive culture, a dynamic and flexible work environment, advanced systems, mobile technology and a lean management structure to minimise costs and drive productivity. GPT's shared sense of purpose – to create value by delivering superior returns to investors, and to provide environments that enable our people to excel and customers and communities to prosper – is underpinned by a culture that emphasises the following core values:

SAFETY FIRST – EVERYONE, ALWAYS

DELIVER TODAY, CREATE TOMORROW

VALUE DIFFERENCES, PLAY AS A TEAM

SPEAK UP

RAISE THE BAR

[9] Where deferred securities are awarded, the number allocated is determined by dividing 50% of the value of the total STIC by the Q4, VWAP immediately preceding the commencement of the performance period. The value of the award on the conversion date may vary as a result of security price having increased or decreased since that point in time.

[10] Eligibility to participate in the STIC, LTI, GESOP and BBESOP schemes is generally limited to individuals who are employed on a permanent basis, satisfy the minimum service criteria applicable under each scheme, have not given or received notice of cessation of employment and are not subject to any formal performance management process.

[11] All GPT employees who participate in STIC and LTI are subject to these awards being clawed back if the recipient has acted fraudulently, dishonestly, or where there has been a material misstatement or omission in the Group's financial statements leading to the receipt of an unfair benefit.

A Culture Dashboard was developed during 2019 to assist the Committee to monitor GPT's performance in this area. Key areas of focus throughout the year include:

| Focus Area | Commentary |
|---|---|
| **Engagement** | GPT has a high calibre workforce, characterised by strong levels of employee engagement. Engaged, energised and enabled employees lead to superior business outcomes. GPT strives to enable a consultative work environment where employee views are sought out, respected, and where appropriate, acted upon. Typically, GPT conducts employee engagement surveys every 18 to 24 months and pulse surveys on focussed topics during the intervening period. In 2019, GPT achieved an overall sustainable engagement score of 80% (comparing favourably to the Australian National Norm) and a participation rate of 86%. GPT celebrates this result as it demonstrates strong employee alignment to our vision, purpose, values and strategy. |
| **Equal Opportunity** | GPT is committed to creating a diverse and inclusive workplace by providing equal opportunity in all aspects of employment. GPT is an inclusive employer where differences such as sexuality, sex, gender identity, race, beliefs, age or abilities are valued. The Board and management recognise that a diverse workforce reflects GPT's diverse customer base and generates diversity in thought that enhances decision making processes and Group performance. During 2019, GPT achieved its second consecutive Workplace Gender Equality Agency (WGEA) Employer of Choice citation recognising GPT's performance in this area as among the best employers in Australia. Sponsorship of the Property Council of Australia 500 Women in Property program continued as did GPT's commitment to the CareerTrackers Indigenous Internship Program by signing a 10 year partnership with the not for profit organisation. |
| **Behaviour and Consequences** | GPT is proud of its reputation for applying the highest ethical and moral standards in all its dealings. The Code of Conduct (the Code) sets out the standard of behaviour expected of all employees, and aligns to GPT's vision to be the most respected property company in Australia. The Code was updated during the year, better clarifying the expectations GPT holds of its employees and emphasising personal responsibility for meeting them. Disciplinary Guidelines were added to the Code and include possible actions should standards not be met. GPT's expectations of its employees are regularly reinforced via compulsory training and direct communications from management. |
| **Safety** | Everyone at GPT plays a part in ensuring that our colleagues and people that visit our assets go home safely – whether they be customers, contractors or members of the broader community. GPT is unequivocal in its commitment to ensuring that safety remains a key priority for every employee across every workplace. Safety has always been part of GPT's DNA, and in 2019 the Group sought to emphasise its importance. During the period, GPT engaged an external partner to assist in a safety risk culture review which will form part of a holistic safety program, focussed on cultural transformation and safety leadership. A two day safety leadership conference was held for selected employees with the learnings shared across the broader employee base. The organisational values were also enhanced to include a new value "Safety First – Everyone, Always" demonstrating GPT's explicit objective in this area. |
| **Risk Culture** | GPT's approach to risk management incorporates culture, people, processes and systems to enable the organisation to realise potential opportunities whilst managing potential adverse effects. GPT is committed to maintaining a transparent and accountable culture where risk is actively considered and managed in our day-to-day activities. |

## Employment Terms

### 1. Employment terms – Chief Executive Officer and Managing Director

| Term | Conditions |
|---|---|
| Contract duration | Open ended. |
| Termination by Executive | 6 months' notice. GPT may elect to make a payment in lieu of notice. |
| Remuneration Package | Bob Johnston's 2019 remuneration arrangements were as follows:<br>**Base pay**: $1,460,000.<br>**STIC**: $0 to $1,825,000 (i.e. 0% to 125% of base pay) based on performance, 50% of the award paid in cash and 50% delivered as deferred GPT securities [12]. The securities component vests one year after the conclusion of the performance year.<br>**LTI**: A grant of performance rights with the face value at time of grant of $2,190,000 (i.e. 150% of base pay) with vesting outcomes dependent on performance and continued service, and delivered in restricted GPT securities. |
| Termination by Company for cause | No notice requirement or termination benefits (other than accrued entitlements). |
| Termination by Company (other) | 12 months' notice. Treatment of unvested STIC and LTI will be at the Board's discretion under the terms of the relevant plans and GPT policy. |
| Post-employment restraints | 6 months non-compete, and 12 months non-solicitation of GPT employees. |
| External Directorships | Bob Johnston is a Director on the Boards of the Property Industry Foundation (PIF) and the Property Council of Australia (PCA). He does not receive remuneration for these roles. |
| Clawback Policy | All GPT employees who participate in STIC and LTI are subject to these awards being clawed back if the recipient has acted fraudulently, dishonestly, or where there has been a material misstatement or omission in the Group's financial statements leading to the receipt of an unfair benefit. |

[12] The percentages vary dependent on the movement of the GPT security price during the performance period. See footnote 9.

## 2. Employment terms – Executive KMP

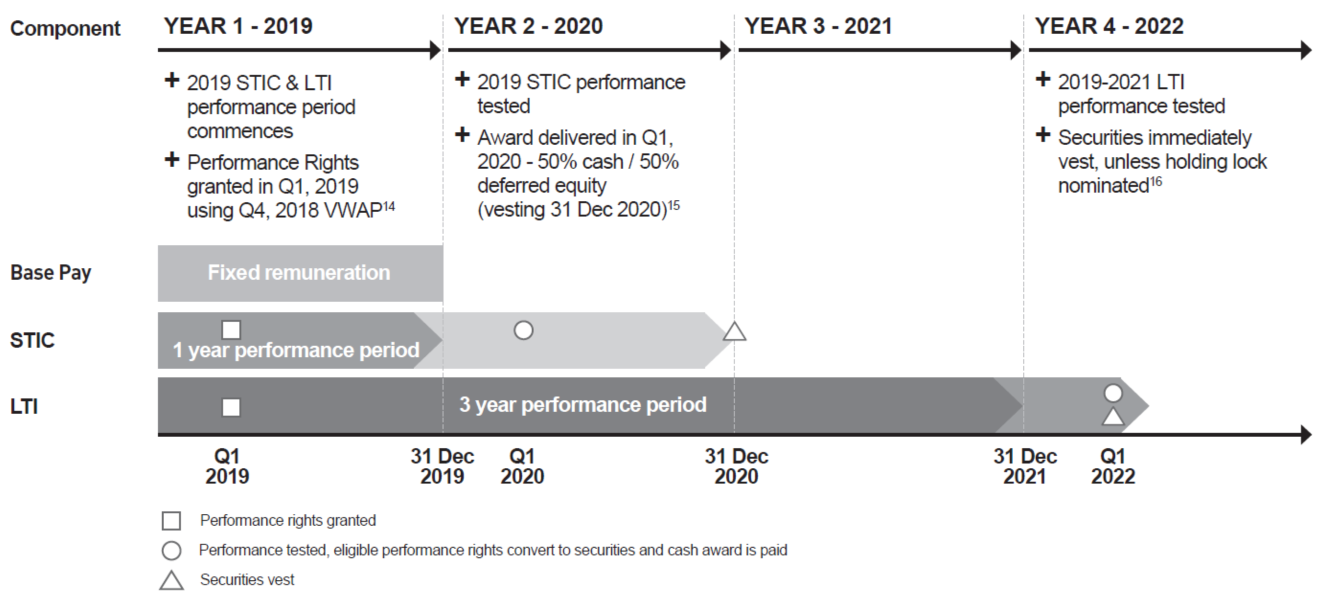
<table>
<tr><th>Term</th><th>Conditions</th></tr>
<tr><td>Contract duration</td><td>Open ended.</td></tr>
<tr><td>Termination by Executive</td><td>3 months' notice. GPT may elect to make a payment in lieu of notice.</td></tr>
<tr><td>Remuneration Package</td><td>
<table>
<tr><th>Component</th><th>Mark Fookes</th><th>Anastasia Clarke</th></tr>
<tr><td>Base pay</td><td>$830,000</td><td>$850,000</td></tr>
<tr><td>STIC</td><td>$0 to $830,000</td><td>$0 to $850,000</td></tr>
<tr><td>LTI</td><td>$0 to $830,000</td><td>$0 to $850,000</td></tr>
</table>
</td></tr>
<tr><td>Termination by Company for cause</td><td>No notice requirement or termination benefits (other than accrued entitlements).</td></tr>
<tr><td>Termination by Company (other)</td><td>3 months' notice. Severance payments may be made subject to GPT policy and capped at the three year average of the executive's annual base (fixed) pay. Treatment of unvested STIC and LTI will be at the Board's discretion under the terms of the relevant plans and GPT policy.</td></tr>
<tr><td>Post-employment restraints</td><td>12 months non-solicitation of GPT employees.</td></tr>
</table>

## 3. Compensation mix at maximum STIC and LTI outcomes

| Executive KMP | Fixed remuneration | Variable or "at risk" remuneration [13] | |
|---|---|---|---|
| | Base pay | STI | LTI |
| **Bob Johnston**<br>Chief Executive Officer and Managing Director | 26.7% | 33.3% | 40.0% |
| **Anastasia Clarke**<br>Chief Financial Officer | 33.4% | 33.3% | 33.3% |
| **Mark Fookes**<br>Chief Operating Officer | 33.4% | 33.3% | 33.3% |

## 4. Executive Compensation

The timeline below outlines how remuneration is delivered using financial year 2019 as an example.




[13] The percentage of each component of total remuneration is calculated with reference to maximum or stretch potential outcomes as set out in the Remuneration Packages detailed in Tables 1 and 2 of the Employment Terms section.
[14] From 2020 onward, the number of securities awarded under the STIC scheme will be made by reference to the 30-day VWAP immediately preceding the conclusion of the performance period. For LTI plans commencing from 2020 onward, the number of performance rights granted will be made by reference to the 30-day VWAP immediately prior to the commencement of the performance period.
[15] The percentages vary dependent on the movement of the GPT security price during the performance period. See footnote 9.
[16] Participants may elect at the commencement of the LTI plan to apply additional dealing restrictions of up to a maximum of 4 years post vesting. A taxing point will arise in the financial year securities vest and become unrestricted. Note also GPT's Minimum Security Holding Requirement (MSHR) guideline requires the CEO to acquire and maintain a holding equal to 150% of base salary. For other KMP and Leadership Team members the holding requirement is equal to 100% of base salary. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.

## Group Financial Performance and Incentive Outcomes

### 1. Five year Group financial performance

| | | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|
| Total Securityholder Return (TSR)[17] | % | **9.6** | 9.6 | 6.6 | 10.1 | 15.4 |
| Total Return | % | **8.7** | 15.8 | 15.2 | 15.5 | 11.5 |
| NTA per security | $ | **5.80** | 5.58 | 5.04 | 4.59 | 4.17 |
| FFO per security | cents | **32.68** | 31.84 | 30.77 | 29.88 | 28.28 |
| FFO per security growth | % | **2.6** | 3.5 | 3.0 | 5.6 | 5.5 |
| Security price at end of calendar year | $ | **5.60** | 5.34 | 5.11 | 5.03 | 4.78 |

### 2. Summary of CEO Objectives and Performance Outcomes

The CEO objectives and performance outcomes are summarised in the table below. The Board has assessed the CEO against these objectives and has approved an achievement score that results in 67.4 per cent of maximum STIC (84.3 per cent of target) being awarded.

| | Performance measure | Weighting | Commentary |
|---|---|---|---|
| Financial | FFO growth per security targets. | 50% | The Group achieved the Board approved FFO growth target for 2019. Office & Logistics and Funds Management contributions exceeded their respective targets, while the Retail sector contribution was below target. |
| Strategy | Strategy objectives focused on exploring growth opportunities for GPT, as well as development and implementation of strategic plans for each division. | 25% | Management continued to execute on strategies approved by the Board. This included:<br>• The sale of GPT's interest in the MLC Centre, acquisition of an interest in Darling Park 1 and 2 plus the acquisition of a number of logistics assets consistent with the Group's strategy to increase capital allocation to the Office and Logistics sectors.<br>• Successfully completing an $867 million equity raising to fund acquisition and growth opportunities.<br>• Maintaining prudent gearing levels and enhanced credit metrics.<br>• Strengthening the Group's development pipeline for the Office and Logistics sector. |
| Performance | Operational objectives focused on driving performance of the investment portfolio, key milestones in the development pipeline, and other projects. | 15% | Results across the Group in this area include:<br>• Achievement of Logistics development targets and growth in development pipeline.<br>• Achievement of development targets for 32 Smith Street, Parramatta.<br>• Partial achievement of targets for the Melbourne Central and Rouse Hill developments.<br>• Achievement of leasing targets across the portfolio.<br>• Completion of a successful capital raising for GWOF.<br>• Achievement of Sustainability targets including the establishment of an energy masterplan for the portfolio, strong Dow Jones Sustainability Index (DJSI) and Global Real Estate Sustainability Benchmark (GRESB) performance scores and implementation of reporting in line with Task Force on Climate-related Financial Disclosures (TCFD) requirements. |
| People | People objectives centred on increasing employee engagement, progressing GPT's diversity and inclusion strategy and embedding a strong risk culture. | 10% | Achievements during the period include:<br>• Elevating the Group's focus on safety and safety leadership.<br>• GPT received its second consecutive Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality citation in February 2019.<br>• High levels of employee engagement, as evidenced by the Sustainable Engagement score of 80%.<br>• The percentage of females in the top quartile increased from 42% in 2018 to 46% in 2019.<br>• Establishment of a Risk Culture Dashboard, with favourable results overall demonstrating a strong risk culture across the Group. |

[17] TSR is calculated as the percentage growth in GPT's security price from the last trading date of the previous financial year to the last trading date of the current financial year, together with the value of distributions received during the year, assuming that all of those distributions are reinvested into new securities. For LTI purposes, the average security price for the last 30 trading days is utilised in the calculation of the TSR.

### 3. STIC Framework

The CEO objectives are cascaded (in full or in part) to KMP and all STIC participants where applicable. Performance measures and weightings may vary according to areas of responsibility for each STIC participant. GPT Group and segment financial KPI's and performance KPI's in relation to occupancy, leasing, progress on developments, investment performance and operational efficiency are included. Performance objectives are then measured to determine performance outcomes and generate STIC recommendations.

The following table shows the distribution of the 2018 STIC outcomes as a percentage of the individual's maximum STIC opportunity.

| 2018 STIC Received as a % of Maximum STIC potential | 0-50% | 50-60% | 60-70% | 70-80% | 80-90% | 90-100% |
|---|---|---|---|---|---|---|
| Percentage of STIC participants | 2.92% | 11.68% | 43.06% | 32.85% | 9.49% | 0.0% |

### 4. 2019 STIC outcomes by Executive KMP [18]

The 2019 STIC outcomes for the KMP are in Table 4 below, while STIC determination for the balance of the eligible employees[19] is to occur in March 2020 post the issue of the 2019 Remuneration Report.

| Executive KMP | Position | Actual STIC awarded | Actual STIC awarded as a % of maximum STIC | % of maximum STIC award forfeited | Cash component | Equity component (# of GPT securities) [20] |
|---|---|---|---|---|---|---|
| **Bob Johnston** | Chief Executive Officer and Managing Director | $1,230,000 | 67.40% | 32.60% | $615,000 | 116,134 |
| **Anastasia Clarke** | Chief Financial Officer | $640,000 | 75.29% | 24.71% | $320,000 | 60,428 |
| **Mark Fookes** | Chief Operating Officer | $610,000 | 73.49% | 26.51% | $305,000 | 57,595 |

### 5. Group performance measures for LTI Plans currently relevant

| LTI | LTI performance measurement period | Performance measure | Performance measure hurdle | Weighting | Results | Vesting % by performance measure | Overall Plan Vesting Outcome (%) |
|---|---|---|---|---|---|---|---|
| **2017** | 2017-19 | Relative TSR versus ASX200 AREIT Accumulation Index (including GPT) (Index) | 10% of performance rights (PR) vest at Index performance, up to 100% at Index plus 10% (pro rata vesting in between) | 50% | GPT's TSR performance exceeded the Index by 0.48% | 14.32% | 57.16% |
| | | Total Return | 0% of PR vest at 8% Total Return, up to 100% at 9.5% Total Return (pro-rata vesting in between) | 50% | 13.19% | 100.00% | |
| 2018 | 2018-20 | Relative TSR versus ASX200 AREIT Accumulation Index (including GPT) | 10% of PR vest at Index performance, up to 100% at Index plus 10% (pro rata vesting in between) | 50% | N/A | N/A | N/A |
| | | Total Return | 10% of PR vest at 8.5% Total Return, up to 100% at 10.0% Total Return (pro-rata vesting in between) | 50% | N/A | N/A | |
| 2019 | 2019-21 | Relative TSR versus ASX200 AREIT Accumulation Index (including GPT) | 10% of PR vest at Index performance, up to 100% at Index plus 10% (pro rata vesting in between) | 50% | N/A | N/A | N/A |
| | | Total Return | 10% of PR vest at 8.5% Total Return, up to 100% at 10.0% Total Return (pro-rata vesting in between) | 50% | N/A | N/A | |

[18] Excluding the impact of movements in the GPT security price on deferred STIC value received.
[19] i.e. excluding the KMP.
[20] The number of deferred GPT securities granted are calculated by dividing 50% of the Actual STIC awarded by GPT's Q4 2018 VWAP of $5.2956. The deferred GPT securities vest subject to service on 31 December 2019.

### 6. 2017-2019 LTI outcomes by Executive KMP

| Senior Executive | Position | Performance rights granted | Performance rights vested | Performance rights lapsed |
|---|---|---|---|---|
| **Bob Johnston** | Chief Executive Officer and Managing Director | 452,206 | 258,481 | 193,725 |
| **Anastasia Clarke** | Chief Financial Officer | 157,563 | 90,063 | 67,500 |
| **Mark Fookes** | Chief Operating Officer | 172,269 | 98,469 | 73,800 |

### 7. LTI outcomes – fair value and maximum value recognised in future years [21]

| Executive KMP | | Grant date | Fair value per performance right | Performance rights granted as at 31 Dec 19 | Vesting date | Maximum value to be recognised in future years |
|---|---|---|---|---|---|---|
| **Bob Johnston** | **2019** | **24 May 2019** | **$3.94** | **413,551** | **31 Dec 21** | **$997,079** |
| Chief Executive Officer and Managing Director | 2018 | 10 May 2018 | $2.62 | 420,467 | 31 Dec 20 | $1,222,712 |
| **Anastasia Clarke** | **2019** | **2 April 2019** | **$3.94** | **160,511** | **31 Dec 21** | **$447,992** |
| Chief Financial Officer | 2018 | 29 March 2018 | $2.62 | 153,595 | 31 Dec 20 | $438,169 |
| **Mark Fookes** | **2019** | **2 April 2019** | **$3.94** | **156,734** | **31 Dec 21** | **$444,531** |
| Chief Operating Officer | 2018 | 29 March 2018 | $2.62 | 157,435 | 31 Dec 20 | $459,154 |

### 8. Reported remuneration – Executive KMP – Actual Amounts Received [22]

| | | Fixed pay | | Variable or "at risk" [23] | | | |
|---|---|---|---|---|---|---|---|
| **Executive KMP** | | **Base pay** | **Superannuation** | **Other [24]** | **STIC** | **LTI** | **Total** |
| **Bob Johnston** | **2019** | **$1,439,233** | **$20,767** | **$8,455** | **$1,314,232** | **$1,556,288** | **$4,338,975** |
| Chief Executive Officer and Managing Director | 2018 | $1,439,710 | $20,290 | $8,354 | $1,237,259 | $1,972,002 | $4,677,615 |
| **Anastasia Clarke** | **2019** | **$829,233** | **$20,767** | **$4,985** | **$683,828** | **$542,260** | **$2,081,073** |
| Chief Financial Officer | 2018 | $779,710 | $20,290 | $5,275 | $579,807 | $610,381 | $1,995,463 |
| **Mark Fookes** | **2019** | **$809,233** | **$20,767** | **$10,050** | **$651,774** | **$592,872** | **$2,084,696** |
| Chief Operating Officer | 2018 | $799,710 | $20,290 | $10,585 | $579,807 | $751,244 | $2,161,636 |
| **Total** | **2019** | **$3,077,699** | **$62,301** | **$23,490** | **$2,649,834** | **$2,691,420** | **$8,504,744** |
| | 2018 | $3,019,130 | $60,870 | $24,214 | $2,396,873 | $3,333,627 | $8,834,714 |

[21] For the avoidance of doubt, the GPT incentive plans (i.e. STIC and LTI) use face value grants of performance rights based on the VWAP of GPT securities for specified periods; reference to fair value per performance right is included in this table to comply with accounting standards.

[22] This table discloses the cash and other benefit amounts actually received by GPT's executive KMP, as distinct from the accounting expense. As a result, it does not align to Australian Accounting Standards.

[23] Gross dollar values for the equity components have been calculated by multiplying the number of securities by GPT's Q4 VWAP for the applicable year; 2019: $6.0209 (2018: $5.2956).

[24] Other may include death and total/permanent disability insurance premiums, service awards, GPT superannuation plan administration fees, professional memberships, subscriptions and/or other benefits.

## 9. Reported remuneration – Executive KMP – AIFRS Accounting [25]

| | | Fixed pay | | Variable or "at risk" | | | |
|---|---|---|---|---|---|---|---|
| Executive KMP | | Base pay | Superannuation | Other | STIC [26] | LTI [27] | Total |
| **Bob Johnston** | **2019** | **$1,418,885** | **$20,767** | **$8,455** | **$1,302,460** | **$1,038,467** | **$3,789,034** |
| Chief Executive Officer and Managing Director | 2018 | $1,520,636 | $20,290 | $8,354 | $1,210,570 | $1,168,869 | $3,928,719 |
| **Anastasia Clarke** | **2019** | **$860,899** | **$20,767** | **$4,985** | **$658,420** | **$405,098** | **$1,950,169** |
| Chief Financial Officer | 2018 | $794,923 | $20,290 | $5,275 | $548,232 | $414,417 | $1,783,137 |
| **Mark Fookes** | **2019** | **$827,474** | **$20,767** | **$10,050** | **$636,642** | **$419,781** | **$1,914,714** |
| Chief Operating Officer | 2018 | $825,109 | $20,290 | $10,585 | $559,068 | $467,160 | $1,882,212 |
| **Total** | **2019** | **$3,107,258** | **$62,301** | **$23,490** | **$2,597,522** | **$1,863,346** | **$7,653,917** |
| | 2018 | $3,140,668 | $60,870 | $24,214 | $2,317,870 | $2,050,446 | $7,594,068 |

## 10. GPT security ownership – Executive KMP as at 31 December 2019

| Executive KMP | GPT Holdings (start of period) [28] | Employee Security Schemes (ESS) | | | Purchase /(Sales) during period [29] | GPT Holdings (end of period) [30] | Gross Value of GPT Holdings [31] | MSHR Guideline [32] |
|---|---|---|---|---|---|---|---|---|
| | | 2019 DSTIC | 2017-19 LTI | TOTAL ESS for 2019 | | | | |
| **Bob Johnston**<br>Chief Executive Officer and Managing Director | 1,311,938 | 116,134 | 258,481 | 374,615 | 2,525 | 1,689,078 | $10,169,770 | $2,190,000 |
| **Anastasia Clarke**<br>Chief Financial Officer | 409,206 | 60,428 | 90,063 | 150,491 | (170,116) | 389,581 | $2,345,628 | $850,000 |
| **Mark Fookes**<br>Chief Operating Officer | 1,159,315 | 57,595 | 98,469 | 156,064 | (93,017) | 1,222,362 | $7,359,719 | $830,000 |

## 11. GPT performance rights – Executive KMP

| Executive KMP | Performance rights | |
|---|---|---|
| | Performance rights that lapsed in 2019 [33] | Performance rights still on foot at 31 Dec 19 [34] |
| **Bob Johnston**<br>Chief Executive Officer and Managing Director | 249,904 | 834,018 |
| **Anastasia Clarke**<br>Chief Financial Officer | 87,327 | 314,106 |
| **Mark Fookes**<br>Chief Operating Officer | 94,571 | 314,169 |

[25] This table provides a breakdown of remuneration for executive KMP in accordance with statutory requirements and Australian accounting standards.
[26] This column records the amount of the fair value of performance rights under the various STIC plans expensed in the relevant financial years calculated on an equity settled basis (in accordance with the treatment in the Group financial statements), and does not represent actual STIC awards made to executives or the face value grant method.
[27] This column records the amount of the fair value of performance rights under the various LTI plans expensed in the relevant financial years calculated on an equity settled basis (in accordance with the treatment in the Group financial statements), and does not represent actual LTI awards made to executives or the face value grant method.
[28] GPT Holdings (start of period) include GPT securities obtained as sign on grants (Mr Johnston only), DSTIC up to and including 2018, LTI plans up to and including the 2016-18 LTI plan, and private holdings.
[29] Movement in GPT security holdings as a result of the sale of vested, unrestricted security holdings and/or the sale or purchase of additional private holdings on the individuals own account during the 2019 calendar year.
[30] GPT Holdings (end of period) is the sum of GPT Holdings (start of the period) plus DSTIC and LTI securities obtained under ESS and adjusted for any purchases or sales during the period. Note that some of the securities do not become actual holdings for the individual until after the conclusion of the performance year when Group results are known which allow the conversion of performance rights under the various plan terms.
[31] The GPT Holdings (end of period) multiplied by GPT's Q4 2019 VWAP of $6.0209 to derive a dollar value.
[32] GPT's Minimum Security Holding Requirement (MSHR) guideline requires the CEO to acquire and maintain a holding equal to 150% of base salary. For other KMP and Leadership Team members the holding requirement is equal to 100% of base salary. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.
[33] The sum of performance rights that were awarded to a participant in the 2017-2019 LTI that did not vest at the end of the 2017-2019 performance period, and as a result, lapsed and/or performance rights granted under the 2019 DSTIC that also lapsed.
[34] The total of unvested performance rights currently on foot excluding any GPT securities or performance rights that may have lapsed up to 31 December 2019. This represents the current maximum number of additional GPT securities to which the individual may become entitled subject to satisfying the applicable performance measures in the 2018-20 and 2019-21 LTI plans on foot; as such, these performance rights represent the incentive opportunity over multiple future years, are subject to performance and hence "at risk", and as a result may never vest.

## Remuneration – Non-Executive Directors

| | |
|---|---|
| **What are the key elements of the Non-Executive Director Remuneration Policy?** | • The Board determines the remuneration structure for Non-Executive Directors based on recommendations from the Committee.<br>• Non-Executive Directors are paid one fee for participation as a Director in all GPT related companies (principally GPT RE Limited, the Responsible Entity of General Property Trust and GPT Management Holdings Limited).<br>• Non-Executive Director remuneration is composed of three main elements:<br>– Main Board fees;<br>– Committee fees; and<br>– Superannuation contributions at the statutory superannuation guarantee contribution rate.<br>• Non-Executive Directors do not participate in any short or long term incentive arrangements and are not entitled to any retirement benefits other than compulsory superannuation.<br>• Non-Executive Director remuneration is set by reference to comparable entities listed on the ASX (having regard to GPT's industry sector and market capitalisation).<br>• External independent advice on remuneration levels for Non-Executive Directors is sought annually. In the event that a review results in changes, the new Board and Committee fees are effective from 1 January in the applicable year and advised in the ensuing Remuneration Report.<br>• Fees (including superannuation) paid to Non-Executive Directors are subject to an aggregate limit of $1,800,000 per annum, which was approved by GPT securityholders at the Annual General Meeting on 5 May 2015. As an Executive Director, Mr Johnston does not receive fees from this pool as he is remunerated as one of GPT's senior executives. |

### 1. Board and committee fees [35, 36]

| | | Board Fee [37] | Audit Committee | Sustainability and Risk Committee | Nomination and Remuneration Committee |
|---|---|---|---|---|---|
| **Chairman** | **2019** | **$430,000** | **$40,000** | **$34,000** | **$34,000** |
| | 2018 | $400,000 | $37,000 | $31,000 | $31,000 |
| **Members** | **2019** | **$170,000** | **$20,000** | **$17,000** | **$17,000** |
| | 2018 | $152,000 | $18,500 | $15,500 | $15,500 |

### 2. Reported remuneration – Non-Executive Directors – AIFRS accounting [38, 39]

| | | Fixed pay | | | Total |
|---|---|---|---|---|---|
| **Non-Executive Director - Current** | | **Salary and fees** | **Superannuation** | **Other [40]** | |
| **Vickki McFadden [41]** | **2019** | **$409,233** | **$20,767** | **-** | **$430,000** |
| Chairman | 2018 | $289,851 | $16,481 | - | $306,332 |
| **Tracey Horton [42]** | **2019** | **$132,695** | **$12,606** | **-** | **$145,301** |
| | 2018 | - | - | - | - |
| **Swe Guan Lim [43]** | **2019** | **$189,041** | **$17,959** | **$507** | **$207,507** |
| | 2018 | $186,000 | $17,670 | $908 | $204,578 |
| **Mark Menhinnitt[44]** | **2019** | **$38,813** | **$3,687** | **-** | **$42,500** |
| | 2018 | - | - | - | - |
| **Angus McNaughton[45]** | **2019** | **$192,124** | **$18,252** | **-** | **$210,376** |
| | 2018 | $27,917 | $2,652 | - | $30,569 |
| **Michelle Somerville** | **2019** | **$207,306** | **$19,694** | **-** | **$227,000** |
| | 2018 | $204,500 | $19,428 | - | $223,928 |
| **Gene Tilbrook** | **2019** | **$197,750** | **$18,786** | **$1,377** | **$217,913** |
| | 2018 | $183,000 | $17,385 | $1,103 | $201,488 |

[35] 'Chairman' used in this sense may refer to the chairperson of the board or a particular committee.
[36] In addition to the fees noted in the table, all Non-Executive Directors receive reimbursement for reasonable travel, accommodation and other expenses incurred while undertaking GPT business.
[37] Fees for Non-Executive Directors are inclusive of superannuation from 2019 onward i.e. 2018 figures represent base salary only.
[38] This table provides a breakdown of remuneration for Non-Executive Directors in accordance with statutory requirements and Australian accounting standards.
[39] No termination benefits were paid during the financial year.
[40] Other may include death and total/permanent disability insurance premiums and/or GPT superannuation plan administration fees.
[41] Ms McFadden joined GPT on 1 March 2018 and was appointed Chairman of GPT from 3 May 2018.
[42] Ms Horton joined GPT on 1 May 2019, and was appointed Chairman of the Human Resources and Remuneration Committee from 16 May 2019.
[43] Mr Lim retired from the GPT Board on 31 December 2019.
[44] Mr Menhinnitt joined GPT on 1 October 2019.
[45] Mr McNaughton joined GPT on 1 November 2018.

| Non-Executive Director – Former | | Fixed pay | | | Total |
|---|---|---|---|---|---|
| | | Salary and fees | Superannuation | Other [46] | |
| **Robert Ferguson**[47] | **2019** | - | - | - | - |
| | 2018 | $137,949 | $8,617 | - | $146,566 |
| **Brendan Crotty**[48] | **2019** | - | - | - | - |
| | 2018 | $159,292 | $15,133 | - | $174,425 |
| **Eileen Doyle** [49] | **2019** | **$76,843** | **$7,300** | - | **$84,143** |
| | 2018 | $214,596 | $20,094 | - | $234,690 |
| **Total** | **2019** | **$1,443,805** | **$119,051** | **$1,884** | **$1,564,740** |
| | 2018 | $1,403,105 | $117,460 | $2,011 | $1,522,576 |

### 3. Non-Executive Director – GPT security holdings

| Non-Executive Director | Private holdings (# of securities) | | | Minimum security holding requirement (MSHR) | | |
|---|---|---|---|---|---|---|
| | Balance 31 Dec 18 | Purchase/(Sale) | Balance 31 Dec 19 | Gross value [50] | MSHR guideline [51] | MSHR assessment date |
| **Vickki McFadden** | 50,000 | 2,525 | 52,525 | $316,248 | $430,000 | March 2022 |
| **Tracey Horton** | - | 7,525 | 7,525 | $45,307 | $170,000 | May 2023 |
| **Angus McNaughton** | - | 8,196 | 8,196 | $49,347 | $170,000 | November 2022 |
| **Mark Menhinnitt** | - | 15,000 | 15,000 | $90,314 | $170,000 | October 2023 |
| **Michelle Somerville** | 36,663 | - | 36,663 | $220,744 | $170,000 | December 2019 |
| **Gene Tilbrook** | 48,546 | 2,525 | 51,071 | $307,493 | $170,000 | May 2020 |
| **Swe Guan Lim** | 39,000 | - | 39,000 | $234,815 | $170,000 | March 2020 |

The Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the Directors of the GPT Group.

Vickki McFadden
Chairman

Bob Johnston
Chief Executive Officer and Managing Director

Sydney
10 February 2020

[46] Other may include death and total/permanent disability insurance premiums and/or GPT superannuation plan administration fees.
[47] Mr Ferguson retired from the GPT Board on 2 May 2018.
[48] Mr Crotty retired from the GPT Board on 8 November 2018.
[49] Ms Doyle retired from the GPT Board on 15 May 2019.
[50] Non-Executive Directors holdings multiplied by GPT's Q4 2019 VWAP of $6.0209 to derive a dollar value.
[51] The MSHR for Non-Executive Directors is equal to 100% of base fees. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.

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# *Auditor's Independence Declaration*

As lead auditor for the audit of GPT Management Holdings Limited for the year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of GPT Management Holdings Limited and the entities it controlled during the period.

S. Horl

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
10 February 2020

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GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

## FINANCIAL STATEMENTS

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

| | Note | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|---|
| **Revenue** | | | |
| Fund management fees | | **86,497** | 84,619 |
| Property management fees | | **44,331** | 43,511 |
| Development management fees | | **23,014** | 21,634 |
| Management costs recharged | | **30,608** | 32,059 |
| | | **184,450** | 181,823 |
| **Other income** | | | |
| Interest revenue | | **539** | 685 |
| Proceeds from sale of inventory | | **96,670** | 28,883 |
| | | **97,209** | 29,568 |
| **Total revenue and other income** | | **281,659** | 211,391 |
| **Expenses** | | | |
| Remuneration expenses | | **122,655** | 121,435 |
| Cost of sale of inventory | | **92,193** | 27,214 |
| Share of after tax loss/(profit) of equity accounted investments | 2(c) | **93** | (5,003) |
| Property expenses and outgoings | | **4,048** | 9,014 |
| Repairs and maintenance | | **5,135** | 4,762 |
| Professional fees | | **5,453** | 5,766 |
| Depreciation of right-of-use asset | | **7,714** | - |
| Depreciation | | **2,023** | 2,014 |
| Amortisation | | **4,955** | 5,205 |
| Revaluation of financial arrangements | | **10,407** | 42,018 |
| Impairment (reversal)/expense | | **(12,898)** | 11,256 |
| Finance costs | | **2,822** | 1,263 |
| Other expenses | | **7,483** | 4,212 |
| **Total expenses** | | **252,083** | 229,156 |
| **Profit/(loss) before income tax** | | **29,576** | (17,765) |
| Income tax expense | 10(a) | **9,961** | 7,670 |
| **Profit/(loss) after income tax from continuing operations** | | **19,615** | (25,435) |
| Loss from discontinued operations | 24(b) | **(10,050)** | (15,527) |
| **Net profit/(loss) for the year** | | **9,565** | (40,962) |
| **Other comprehensive income from discontinued operations** | | | |
| *Items that may be reclassified to profit and loss* | | | |
| Net foreign exchange translation adjustments | 11(b) | **(5)** | (16,770) |
| **Total comprehensive profit/(loss) for the year** | | **9,560** | (57,732) |
| **Net profit/(loss) attributable to:** | | | |
| - Members of the Company | | **9,324** | (41,524) |
| - Non-controlling interest | | **241** | 562 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| - Members of the Company | | **9,319** | (58,294) |
| - Non-controlling interest | | **241** | 562 |
| **Earnings per share attributable to the ordinary equity holders of the Company** | | | |
| Basic and diluted earnings per share (cents per share) from continuing operations | 12(a) | **1.03** | (1.44) |
| Basic and diluted earnings per share (cents per share) - Total | 12(a) | **0.50** | (2.30) |

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

## GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2019

| | Note | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | **21,677** | 19,259 |
| Trade receivables | 3 | **46,497** | 45,476 |
| Other receivables | | **160** | 4,507 |
| Current tax asset | 10(c) | **2,163** | 763 |
| Inventories | 5 | **9,403** | 34,654 |
| Prepayments | | **3,220** | 2,640 |
| **Total current assets** | | **83,120** | 107,299 |
| **Non-current assets** | | | |
| Intangible assets | 4 | **35,344** | 26,799 |
| Property, plant and equipment | 6 | **10,492** | 12,661 |
| Inventories | 5 | **108,615** | 143,618 |
| Equity accounted investments | 2 | **21,367** | 21,423 |
| Right-of-use asset | | **59,533** | - |
| Deferred tax asset | 10(d) | **21,524** | 21,091 |
| Deferred acquisition costs | | **-** | 545 |
| Other assets | 7 | **8,673** | 12,964 |
| **Total non-current assets** | | **265,548** | 239,101 |
| **Total assets** | | **348,668** | 346,400 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Payables | 8 | **36,168** | 36,889 |
| Provisions | 9 | **35,743** | 33,862 |
| Borrowings | 14 | **23,875** | - |
| Lease liabilities | | **8,040** | - |
| **Total current liabilities** | | **103,826** | 70,751 |
| **Non-current liabilities** | | | |
| Borrowings | 14 | **61,654** | 154,618 |
| Provisions | 9 | **11,870** | 13,602 |
| Lease liabilities | | **55,344** | - |
| Other liabilities | | **-** | 7,539 |
| **Total non-current liabilities** | | **128,868** | 175,759 |
| **Total liabilities** | | **232,694** | 246,510 |
| **Net assets** | | **115,974** | 99,890 |
| **EQUITY** | | | |
| Contributed equity | 11(a) | **331,974** | 325,855 |
| Reserves | 11(b) | **20,243** | 19,794 |
| Accumulated losses | 11(c) | **(252,524)** | (261,799) |
| **Total equity attributable to Company members** | | **99,693** | 83,850 |
| Non-controlling interests | | **16,281** | 16,040 |
| **Total equity** | | **115,974** | 99,890 |

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

| | | Company | | | | Non-controlling interests | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Contributed equity $'000 | Reserves $'000 | Accumulated losses $'000 | Total $'000 | Contributed equity $'000 | Accumulated losses $'000 | Total $'000 | Total equity $'000 |
| **Equity attributable to Company Members** | | | | | | | | | |
| **At 1 January 2018** | | 325,703 | 37,803 | (220,275) | 143,231 | 22,060 | (9,396) | 12,664 | 155,895 |
| Foreign currency translation reserve | 11(b) | - | (16,770) | - | (16,770) | - | - | - | (16,770) |
| **Other comprehensive income for the year** | | - | (16,770) | - | (16,770) | - | - | - | (16,770) |
| (Loss)/profit for the year | 11(c) | - | - | (41,524) | (41,524) | - | 562 | 562 | (40,962) |
| **Total comprehensive income for the year** | | - | (16,770) | (41,524) | (58,294) | - | 562 | 562 | (57,732) |
| **Transactions with Members in their capacity as Members** | | | | | | | | | |
| Return of capital | | - | - | - | - | (888) | - | (888) | (888) |
| Issue of securities | 11(a) | 152 | - | - | 152 | - | - | - | 152 |
| Movement in employee incentive security scheme reserve net of tax | 11(b) | - | (1,239) | - | (1,239) | - | - | - | (1,239) |
| Distributions | 11(c) | - | - | - | - | - | 3,702 | 3,702 | 3,702 |
| **At 31 December 2018** | | 325,855 | 19,794 | (261,799) | 83,850 | 21,172 | (5,132) | 16,040 | 99,890 |
| **Equity attributable to Company Members** | | | | | | | | | |
| **At 31 December 2018** | | **325,855** | **19,794** | **(261,799)** | **83,850** | **21,172** | **(5,132)** | **16,040** | **99,890** |
| Adoption of new accounting standard (1) | | **-** | **-** | **(49)** | **(49)** | **-** | **-** | **-** | **(49)** |
| **At 1 January 2019** | | **325,855** | **19,794** | **(261,848)** | **83,801** | **21,172** | **(5,132)** | **16,040** | **99,841** |
| Foreign currency translation reserve | 11(b) | **-** | **(5)** | **-** | **(5)** | **-** | **-** | **-** | **(5)** |
| **Other comprehensive income for the year** | | **-** | **(5)** | **-** | **(5)** | **-** | **-** | **-** | **(5)** |
| Profit for the year | 11(c) | **-** | **-** | **9,324** | **9,324** | **-** | **241** | **241** | **9,565** |
| **Total comprehensive income for the year** | | **-** | **(5)** | **9,324** | **9,319** | **-** | **241** | **241** | **9,560** |
| **Transactions with Members in their capacity as Members** | | | | | | | | | |
| Issue of securities | 11(a) | **6,119** | **-** | **-** | **6,119** | **-** | **-** | **-** | **6,119** |
| Movement in employee incentive security scheme reserve net of tax | 11(b) | **-** | **454** | **-** | **454** | **-** | **-** | **-** | **454** |
| **At 31 December 2019** | | **331,974** | **20,243** | **(252,524)** | **99,693** | **21,172** | **(4,891)** | **16,281** | **115,974** |

(1) Refer to note 26 for details.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2019

| | Note | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts in the course of operations (inclusive of GST) | | **202,261** | 264,045 |
| Payments in the course of operations (inclusive of GST) | | **(161,384)** | (179,400) |
| Proceeds from the sale of inventories | | **96,670** | 28,883 |
| Payments for inventories | | **(14,065)** | (24,502) |
| Distributions received from equity accounted investments | | **81** | 4,770 |
| Interest received | | **539** | 685 |
| Finance costs paid | | **(2,463)** | (899) |
| Income taxes paid | | **(10,227)** | (20,876) |
| **Net cash inflows from operating activities** | 16 | **111,412** | 72,706 |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | | **(1,013)** | (3,007) |
| Payments for intangibles | | **(13,508)** | (3,326) |
| Payment for equity accounted investments | | **(1)** | 962 |
| **Net cash outflows from investing activities** | | **(14,522)** | (5,371) |
| **Cash flows from financing activities** | | | |
| Proceeds from issue of securities net of transaction costs | | **6,119** | - |
| Repayment of related party borrowings | | **(252,406)** | (206,305) |
| Proceeds from related party borrowings | | **167,119** | 145,668 |
| Repayments of borrowings | | **(10,975)** | (28,404) |
| Proceeds from borrowings | | **3,009** | 20,932 |
| Principal elements of lease payments | | **(7,338)** | - |
| **Net cash outflows from financing activities** | | **(94,472)** | (68,109) |
| **Net cash increase/(decrease) in cash and cash equivalents** | | **2,418** | (774) |
| Cash and cash equivalents at the beginning of the year | | **19,259** | 20,033 |
| **Cash and cash equivalents at the end of the year** | | **21,677** | 19,259 |

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

These are the consolidated financial statements of GPT Management Holdings Limited and its controlled entities (the Consolidated Entity).

The notes to these financial statements have been organised into sections to help users find and understand the information they need to know. Additional information has also been provided where it is helpful to understand the Consolidated Entity's performance.

The notes to the financial statements are organised into the following sections:
**Note 1 - Result for the year:** focuses on results and performance of the Consolidated Entity.
**Notes 2 to 10 - Operating assets and liabilities:** provides information on the assets and liabilities used to generate the Consolidated Entity's trading performance.
**Notes 11 to 15 - Capital structure:** outlines how the Consolidated Entity manages its capital structure and various financial risks.
**Notes 16 to 27 - Other disclosure items:** provides information on other items that must be disclosed to comply with Australian Accounting Standards and other regulatory pronouncements.

**Key judgements, estimates and assumptions**
In applying the Consolidated Entity's accounting policies, management has made a number of judgements, estimates and assumptions regarding future events.

The following judgements and estimates have the potential to have a material impact on the financial statements:

| **Area of judgements and estimates** | **Assumptions underlying** | **Note** |
|---|---|---|
| Management rights with indefinite life | Impairment trigger and recoverable amounts | 4 |
| IT development and software | Impairment trigger and recoverable amounts | 4 |
| Inventories | Lower of cost and net realisable value | 5 |
| Deferred tax assets | Recoverability | 10 |
| Security based payments | Fair value | 19 |
| Investment in financial assets | Fair value | 23 |
| Investment in equity accounted investments | Assessment of control versus disclosure guidance | 25(b) |
| Lease liabilities | Lease term and incremental borrowing rate | 26 |

## RESULT FOR THE YEAR

### 1. SEGMENT INFORMATION

The chief operating decision makers monitor the performance of the business in a manner consistent with that of the financial report. Refer to the Consolidated Statement of Comprehensive Income for the segment financial performance and the Consolidated Statement of Financial Position for the total assets and liabilities.

## OPERATING ASSETS AND LIABILITIES

### 2. EQUITY ACCOUNTED INVESTMENTS

| | Note | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|---|
| Investments in joint ventures | (i) | **11,366** | 11,333 |
| Investments in associates | (ii) | **10,001** | 10,090 |
| **Total equity accounted investments** | | **21,367** | 21,423 |

**(a) Details of equity accounted investments**

| **Name** | **Principal activity** | **Ownership interest 31 Dec 19 %** | 31 Dec 18 % | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|---|---|---|
| **(i) Joint ventures** | | | | | |
| Lendlease GPT (Rouse Hill) Pty Limited (1) | Property development | **50.00** | 50.00 | **11,366** | 11,324 |
| Erskine Park Trust | Property development | **50.00** | 50.00 | **-** | 9 |
| **Total investment in joint ventures** | | | | **11,366** | 11,333 |
| **(ii) Associates** | | | | | |
| DPT Operator No. 1 Pty Limited (2) | Management | **91.67** | 50.00 | **-** | 90 |
| DPT Operator No. 2 Pty Limited (2) | Management | **91.67** | 50.00 | **1** | - |
| GPT Funds Management Limited | Funds management | **100.00** | 100.00 | **10,000** | 10,000 |
| **Total investment in associates** | | | | **10,001** | 10,090 |

(1) The entity has a 30 June balance date. The Consolidated Entity has a 50 per cent interest in Lendlease GPT (Rouse Hill) Pty Limited, a joint venture developing residential and commercial land at Rouse Hill, in partnership with Landcom and the NSW Department of Planning. The Consolidated Entity's interest is held through a subsidiary that is 52 per cent owned by the Consolidated Entity and 48 per cent owned by the Trust.
(2) During the year the consolidated entity acquired a further 41.67 per cent in both DPT Operator No.1 Pty Limited and DPT Operator No. 2 Pty Limited for a total consideration of $832.

### (b) Summarised financial information for joint ventures and associates

The information disclosed reflects the amounts presented in the financial results of the relevant joint ventures and associates and not the Consolidated Entity's share of those amounts. They have been amended to reflect adjustments made by the entity when using the equity method, including fair value adjustments and modifications for differences in accounting policy.

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Cash and cash equivalents[(1)] | **17,915** | 21,817 |
| Other assets | **18,526** | 18,464 |
| Property investments and loans | **14,792** | 11,812 |
| **Total assets** | **51,233** | 52,093 |
| Liabilities | **19,288** | 19,755 |
| **Total liabilities** | **19,288** | 19,755 |
| **Net assets** | **31,945** | 32,338 |
| **Consolidated entity's share of net assets** | **20,973** | 21,169 |
| Additional ownership costs | **394** | 254 |
| **Total equity accounted investment** | **21,367** | 21,423 |

(1) Dec 2019: $10,001,000 relates to the investment in associates (Dec 2018: $10,090,000).

### (c) Share of after tax profit of equity accounted investments

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Revenue | **144** | 24,052 |
| Expenses | **(413)** | (12,201) |
| Loss before income tax expense | **(269)** | 11,851 |
| Income tax expense | **84** | (1) |
| (Loss)/profit after income tax expense | **(185)** | 11,850 |
| Share of after tax (loss)/profit of joint ventures and associates | **(93)** | 5,925 |
| Additional ownership costs | **-** | (922) |
| **Share of after tax (loss)/profit of equity accounted investments** | **(93)** | 5,003 |

### (d) Reconciliation of the carrying amount of investments in joint ventures and associates

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Opening balance at the beginning of the year | **21,423** | 21,988 |
| Acquisitions | **1** | - |
| Return of capital | **-** | (1,850) |
| Write down of investment on acquisition | **(1)** | - |
| Share of after tax (loss)/profit of joint ventures and associates | **(93)** | 5,925 |
| Distributions received/receivable | **(103)** | (4,747) |
| **Closing balance at the end of the year** | **21,227** | 21,316 |
| Additional ownership costs | **140** | 107 |
| **Carrying amount of equity accounted investments** | **21,367** | 21,423 |

## 3. TRADE RECEIVABLES

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Trade receivables[(1)] | **28,634** | 30,948 |
| Less: impairment of trade receivables | **(32)** | (622) |
| | **28,602** | 30,326 |
| Accrued income | **518** | 188 |
| Related party receivables[(2)] | **17,377** | 14,962 |
| **Trade receivables** | **46,497** | 45,476 |

(1) The trade receivables balance includes amounts receivable from GWOF and GWSCF. See note 20 for more details on related party transactions.
(2) The related party receivables are from the Trust and have been agreed on commercial terms and conditions.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

The table below shows the ageing analysis of the Consolidated Entity's receivables.

| | 31 Dec 19 | | | | | | 31 Dec 18 | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Not Due** | **0-30 days** | **31-60 days** | **61-90 days** | **90+ days** | **Total** | Not Due | 0-30 days | 31-60 days | 61-90 days | 90+ days | Total |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | **-** | **42,278** | **3,567** | **112** | **572** | **46,529** | 188 | 39,259 | 1,122 | 3,434 | 2,095 | 46,098 |
| Impairment of trade receivables | **-** | **-** | **-** | **-** | **(32)** | **(32)** | - | - | - | - | (622) | (622) |
| Total trade receivables | **-** | **42,278** | **3,567** | **112** | **540** | **46,497** | 188 | 39,259 | 1,122 | 3,434 | 1,473 | 45,476 |

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the 'expected credit loss' (ECL) model. The Consolidated Entity holds these financial assets in order to collect the contractual cash flows and the contractual terms are solely payments of outstanding principal and interest on the principal amount outstanding.

All loans and receivables with maturities greater than 12 months after the balance date are classified as non-current assets.

**Recoverability of loans and receivables**
At each reporting date, the Consolidated Entity assesses whether financial assets carried at amortised cost are 'credit-impaired'. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset is expected to occur.

The Consolidated Entity recognises loss allowances at an amount equal to lifetime ECL on trade and other receivables. Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of the trade receivable and are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Consolidated Entity expects to receive).

The Consolidated Entity analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL. Other current observable data may include:

- forecasts of economic conditions such as unemployment, interest rates, gross domestic product and inflation; and
- financial difficulties of a counterparty or probability that a counterparty will enter bankruptcy.

Debts that are known to be uncollectable are written off when identified.

## 4. INTANGIBLE ASSETS

| | **Management rights** | **IT development and software** | **Total** |
|---|---|---|---|
| | **$'000** | **$'000** | **$'000** |
| **Cost** | | | |
| **At 1 January 2018** | 55,825 | 63,235 | 119,060 |
| Additions | - | 3,498 | 3,498 |
| Transfers | - | (2,395) | (2,395) |
| **At 31 December 2018** | 55,825 | 64,338 | 120,163 |
| Additions | **-** | **14,754** | **14,754** |
| Transfers | **-** | **901** | **901** |
| Disposal | **-** | **(4,720)** | **(4,720)** |
| **At 31 December 2019** | **55,825** | **75,273** | **131,098** |
| **Accumulated amortisation and impairment** | | | |
| **At 1 January 2018** | (45,420) | (42,739) | (88,159) |
| Amortisation | (138) | (5,067) | (5,205) |
| **At 31 December 2018** | (45,558) | (47,806) | (93,364) |
| Amortisation | **(48)** | **(4,907)** | **(4,955)** |
| Impairment | **-** | **(2,155)** | **(2,155)** |
| Disposal | **-** | **4,720** | **4,720** |
| **At 31 December 2019** | **(45,606)** | **(50,148)** | **(95,754)** |
| **Carrying amounts** | | | |
| At 31 December 2018 | 10,267 | 16,532 | 26,799 |
| **At 31 December 2019** | **10,219** | **25,125** | **35,344** |

**Management rights**
Management rights include property management and development management rights. Rights are initially measured at cost and rights with a definite life are subsequently amortised over their useful life.

For the management rights of Highpoint Shopping Centre, management considers the useful life as indefinite as there is no fixed term included in the management agreement. Therefore, the Consolidated Entity tests for impairment at balance date. Assets are impaired if the carrying value exceeds their recoverable amount. The recoverable amount is determined using a multiples approach. A range of multiples from 10-15x have been used in the calculation.

**IT development and software**
Costs incurred in developing systems and acquiring software and licenses that will contribute future financial benefits are capitalised. These include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straightline basis over the length of time over which the benefits are expected to be received, generally ranging from 3 to 10 years.

IT development and software are assessed for impairment at each reporting date by evaluating if any impairment triggers exist. Where impairment triggers exist, management calculate the recoverable amount. The asset will be impaired if the carrying amount exceeds the recoverable amount. Critical judgements are made by management in setting appropriate impairment triggers and assumptions used to determine the recoverable amount.

## 5. INVENTORIES

| | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|
| Development properties | **9,403** | 34,654 |
| **Current inventories** | **9,403** | 34,654 |
| Development properties | **108,615** | 143,618 |
| **Non-current inventories** | **108,615** | 143,618 |
| **Total inventories** | **118,018** | 178,272 |

During the financial year impairment expense of $15,053,000 was reversed due to recent sales activity.

Development properties held as inventory to be sold are stated at the lower of cost and net realisable value (NRV).

**Cost**
Cost includes the cost of acquisition, development, finance costs and all other costs directly related to specific projects including an allocation of direct overhead expenses. Post completion of the development, finance costs and other holding charges are expensed as incurred.

**NRV**
The NRV is the estimated selling price in the ordinary course of business less estimated costs to sell. At each reporting date, management reviews these estimates by taking into consideration:
- the most reliable evidence; and
- any events which confirm conditions existing at the year end and cause any fluctuations of selling price and costs to sell.

The amount of any inventories write down is recognised as an impairment expense in the Consolidated Statement of Comprehensive Income.

## 6. PROPERTY, PLANT AND EQUIPMENT

| | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|
| **Computers** | | |
| At cost | **16,013** | 15,008 |
| Less: accumulated depreciation | **(13,570)** | (12,314) |
| **Total computers** | **2,443** | 2,694 |
| **Office fixtures and fittings** | | |
| At cost | **16,381** | 17,532 |
| Less: accumulated depreciation | **(8,332)** | (7,565) |
| **Total office fixtures and fittings** | **8,049** | 9,967 |
| **Total property, plant and equipment** | **10,492** | 12,661 |

Reconciliations of the carrying amount of property, plant and equipment at the beginning and end of the financial year are set out below:

| | **Computers $'000** | **Office fixtures & fittings $'000** | **Total $'000** |
|---|---|---|---|
| **At 1 January 2018** | | | |
| Opening carrying value | 4,015 | 5,895 | 9,910 |
| Additions | - | 2,578 | 2,578 |
| Transfers | (84) | 2,271 | 2,187 |
| Depreciation | (1,237) | (777) | (2,014) |
| **At 31 December 2018** | 2,694 | 9,967 | 12,661 |
| **At 1 January 2019** | | | |
| Opening carrying value | **2,694** | **9,967** | **12,661** |
| Additions | **79** | **676** | **755** |
| Transfers | **926** | **(1,827)** | **(901)** |
| Depreciation | **(1,256)** | **(767)** | **(2,023)** |
| **At 31 December 2019** | **2,443** | **8,049** | **10,492** |

**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2019

The value of property, plant and equipment is measured as the cost of the asset less depreciation and impairment. The cost of the asset includes acquisition costs and any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

**Depreciation**
Items of property, plant and equipment are depreciated on a straightline basis over their useful lives. The estimated useful life is between 3 and 40 years.

**Impairment**
The Consolidated Entity tests property, plant and equipment for impairment where there is an indicator that the asset may be impaired. 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.

**Disposals**
Gains and losses on disposals are determined by comparing proceeds from disposals with the carrying amount of the property, plant and equipment and are included in the Consolidated Statement of Comprehensive Income in the year of disposal.

## 7. OTHER ASSETS

| | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|
| Lease incentive asset | **416** | 5,338 |
| Investment in financial asset | **4,394** | 4,576 |
| Other asset | **3,863** | 3,050 |
| **Total other assets** | **8,673** | 12,964 |

## 8. PAYABLES

| | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|
| Trade payables | **2,982** | 1,932 |
| Accruals | **26,271** | 24,813 |
| Other payables | **6,915** | 10,144 |
| **Total payables** | **36,168** | 36,889 |

Trade payables and accruals represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial year which are unpaid. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

## 9. PROVISIONS

| | **31 Dec 19 $'000** | 31 Dec 18 $'000 |
|---|---|---|
| **Current provisions** | | |
| Employee benefits | **32,303** | 29,623 |
| Other | **3,440** | 4,239 |
| **Total current provisions** | **35,743** | 33,862 |
| **Non-current provisions** | | |
| Employee benefits | **10,148** | 11,942 |
| Other | **1,722** | 1,660 |
| **Total non-current provisions** | **11,870** | 13,602 |
| **Total provisions** | **47,613** | 47,464 |

| | Employee benefits $'000 | Other $'000 | Total $'000 |
|---|---|---|---|
| **As at 1 January 2018** | 38,712 | 10,253 | 48,965 |
| Arising during the year | 21,368 | 1,641 | 23,009 |
| Utilised during the year | (18,515) | (5,995) | (24,510) |
| **As at 31 December 2018** | 41,565 | 5,899 | 47,464 |
| **As at 1 January 2019** | **41,565** | **5,899** | **47,464** |
| Arising during the year | **26,802** | **2,626** | **29,428** |
| Utilised during the year | **(25,916)** | **(3,363)** | **(29,279)** |
| **As at 31 December 2019** | **42,451** | **5,162** | **47,613** |

Provisions are recognised when:
- the Consolidated Entity has a present obligation (legal or constructive) as a result of a past event;
- it is probable that resources will be expended to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation.

**Provision for employee benefits**
The provision for employee benefits represents annual leave, long service leave and parental leave entitlements accrued for employees. The employee benefit liability expected to be settled within twelve months after the end of the reporting period is recognised in current liabilities. The non-current provision relates to entitlements, including long service leave, which are due to be payable after more than twelve months from the balance sheet date. It is measured as the present value of expected future payments for the service provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at balance date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Employee benefit on-costs are recognised together with the employee benefits and included in employee benefit liabilities.

## 10. TAXATION

### (a) Income tax expense

| | 31 Dec 19 Tax effect $'000 | 31 Dec 18 Tax effect $'000 |
|---|---|---|
| Current income tax expense | **8,827** | 11,554 |
| Deferred income tax expense/(credit) | **1,134** | (3,884) |
| **Income tax expense in the Consolidated Statement of Comprehensive Income** | **9,961** | 7,670 |
| Income tax expense attributable to: | | |
| Profit from continuing operations | **9,961** | 7,670 |
| **Aggregate income tax expense** | **9,961** | 7,670 |

### (b) Reconciliation of income tax expense to prima facie tax payable

| | 31 Dec 19 Gross $'000 | 31 Dec 19 Tax effect $'000 | 31 Dec 18 Gross $'000 | 31 Dec 18 Tax effect $'000 |
|---|---|---|---|---|
| Profit/(loss) from continuing operations before income tax expense | **29,576** | **8,873** | (17,765) | (5,330) |
| Loss from discontinued operations before income tax expense | **(10,050)** | **(3,015)** | (15,527) | (4,658) |
| Profit/(loss) which is subject to taxation at 30% tax rate | **19,526** | **5,858** | (33,292) | (9,988) |
| Tax effect of amounts not deductible/assessable in calculating income tax expense: | | | | |
| Non-deductible revaluation items | **20,407** | **6,122** | 75,083 | 22,525 |
| Amounts released from foreign currency translation reserve | **-** | **-** | (16,953) | (5,086) |
| Reversal of impairment | **(5,603)** | **(1,681)** | - | - |
| Equity accounted losses/(profits) from joint ventures in the Company | **107** | **32** | (5,925) | (1,778) |
| Distribution received from joint ventures taxable to the Company | **-** | **-** | 4,770 | 1,431 |
| **Profit used to calculate effective tax rate** | **34,437** | **10,331** | 23,683 | 7,104 |
| Other (non assessable)/non deductible items | **(1,234)** | **(370)** | 1,886 | 566 |
| **Income tax expense** | **33,203** | **9,961** | 25,569 | 7,670 |
| **Effective tax rate** | | **29%** | | 32% |

## NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

### (c) Current tax asset

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Opening balance at the beginning of the year | **763** | (8,559) |
| Income tax expense | **(9,961)** | (7,670) |
| Tax payments made to tax authorities | **10,227** | 20,876 |
| Other deferred tax asset charged to income | **1,496** | (2,955) |
| Movements in employee benefits | **(1,598)** | (457) |
| Movement in provisions and accruals | **849** | 84 |
| Movement in reserves | **387** | (556) |
| **Closing balance at the end of the year** | **2,163** | 763 |

### (d) Deferred tax asset

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Employee credits | **17,504** | 15,906 |
| Provisions and accruals | **2,014** | 2,863 |
| Other | **2,006** | 2,322 |
| **Net deferred tax asset** | **21,524** | 21,091 |
| | | |
| **Movement in temporary differences during the year** | | |
| Opening balance at the beginning of the year | **21,091** | 17,763 |
| Adoption of AASB 16 | **1,180** | - |
| Income tax (credit)/expense | **(1,134)** | 3,884 |
| Movement in reserves | **387** | (556) |
| **Closing balance at the end of the year** | **21,524** | 21,091 |

**Adoption of Voluntary Tax Transparency Code**
The Board of Taxation has released a voluntary Tax Transparency Code (TTC). The TTC sets out a recommended set of principles and minimum standards regarding the disclosure of tax information for businesses. The Consolidated Entity is committed to the TTC. The non-IFRS income tax disclosures above and in note 10(b) include the recommended additional disclosures.

The Australian Accounting Standards Board have issued a Draft Appendix to the TTC outlining the method to calculate the effective tax rate as shown in the table above, using:
- accounting profit before tax adjusted to exclude transactions which are not reflected in the calculation of income tax expense; and
- tax expense adjusted to exclude carry forward tax losses that have been recognised and prior year under/overstatements.

**Income tax expense**
Income tax expense for the financial year is the tax payable on the current year's taxable income. This is adjusted by changes in deferred tax assets and liabilities attributable to temporary differences.

**Deferred income tax liabilities and assets – recognition**
Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them. The carrying amount of deferred income tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available.

**Deferred income tax assets and liabilities – measurement**
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences at the reporting date between accounting carrying amounts and the tax cost bases of assets and liabilities, other than for the following:
- Where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
  - Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
  - Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

**Tax relating to equity items**
Income taxes relating to items recognised directly in equity are recognised in equity and not in Consolidated Statement of Comprehensive Income.

# CAPITAL STRUCTURE

## 11. EQUITY AND RESERVES

### (a) Contributed equity

| | Number | $'000 |
|---|---|---|
| **Ordinary stapled securities** | | |
| Opening securities on issue at 1 January 2018 | 1,801,640,882 | 325,703 |
| Securities issued - Long Term Incentive Plan | 2,332,026 | 92 |
| Securities issued - Deferred Short Term Incentive Plan | 875,344 | 57 |
| Securities issued - Broad Based Employee Security Ownership Plan | 42,174 | 3 |
| **Closing securities on issue at 31 December 2018** | 1,804,890,426 | 325,855 |
| Opening securities on issue at 1 January 2019 | **1,804,890,426** | **325,855** |
| Securities issued - institutional placement (1) | **131,795,717** | **5,735** |
| Security Purchase Plan (1) | **11,243,173** | **479** |
| Transaction costs | **-** | **(95)** |
| **Closing securities on issue at 31 December 2019** | **1,947,929,316** | **331,974** |

(1) On 19 June 2019, GPT undertook an institutional placement at an offer price of $6.07 per stapled security and a Security Purchase Plan at an offer price of $5.94. A total of $866.8 million was raised with total transaction costs of $13.2 million.

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

### (b) Reserves

| | Foreign Currency Translation Reserve $'000 | Employee Incentive Scheme Reserve $'000 | Total Reserve $'000 |
|---|---|---|---|
| **Balance at 1 January 2018** | 34,943 | 2,860 | 37,803 |
| Net foreign exchange translation adjustments | (16,770) | - | (16,770) |
| Employee incentive schemes expense, net of tax | - | (531) | (531) |
| Tax on incentives valued at reporting date | - | (556) | (556) |
| Issue of securities | - | (152) | (152) |
| **Balance at 31 December 2018** | 18,173 | 1,621 | 19,794 |
| **Balance at 1 January 2019** | **18,173** | **1,621** | **19,794** |
| Net foreign exchange translation adjustments | **(5)** | **-** | **(5)** |
| Employee incentive schemes expense, net of tax | **-** | **(260)** | **(260)** |
| Tax on incentives valued at reporting date | **-** | **386** | **386** |
| Issue of securities | **-** | **328** | **328** |
| **Balance at 31 December 2019** | **18,168** | **2,075** | **20,243** |

**Nature and purpose of reserves**
**Foreign currency translation reserve**
The reserve is used to record exchange differences arising on translation of foreign controlled entities and associated funding of foreign controlled entities. The movement in the reserve is recognised in the net profit when the investment in the foreign controlled entity is disposed.

**Employee incentive scheme reserve**
The reserve is used to recognise the fair value of equity-settled security-based payments provided to employees, including key management personnel, as part of their remuneration. Refer to note 19 for further details of security based payments.

## NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

**(c) Accumulated losses**

| | Company $'000 | Non-controlling interest $'000 | Total $'000 |
|---|---|---|---|
| Balance at 1 January 2018 | (220,275) | (9,396) | (229,671) |
| Net (loss)/profit for the year | (41,524) | 562 | (40,962) |
| Distributions | - | 3,702 | 3,702 |
| **Balance at 31 December 2018** | (261,799) | (5,132) | (266,931) |
| Balance at 1 January 2019 | **(261,799)** | **(5,132)** | **(266,931)** |
| Adoption of new accounting standard | **(49)** | **-** | **(49)** |
| Adjusted balance at 1 January 2019 | **(261,848)** | **(5,132)** | **(266,980)** |
| Net profit for the year | **9,324** | **241** | **9,565** |
| **Balance at 31 December 2019** | **(252,524)** | **(4,891)** | **(257,415)** |

## 12. EARNINGS PER SHARE

**(a) Basic and diluted earnings per share**

| | 31 Dec 19 Cents | 31 Dec 18 Cents |
|---|---|---|
| Basic and diluted earnings per share - profit/(loss) from continuing operations | **1.03** | (1.44) |
| Basic and diluted loss per share - loss from discontinued operations | **(0.53)** | (0.86) |
| **Total basic and diluted earnings per share** | **0.50** | (2.30) |

**(b) The profit used in the calculation of the basic and diluted earnings per share is as follows:**

| **Profit/(loss) reconciliation - basic and diluted** | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Profit/(loss) from continuing operations | **19,374** | (25,997) |
| Loss from discontinued operations | **(10,050)** | (15,527) |
| Profit attributed to external non-controlling interest | **241** | 562 |
| | **9,565** | (40,962) |

**(c) WANOS**
The earnings and weighted average number of ordinary shares (WANOS) used in the calculations of basic and diluted earnings per ordinary share are as follows:

| | 31 Dec 19 Number of shares '000s | 31 Dec 18 Number of shares '000s |
|---|---|---|
| **WANOS used as denominator in calculating basic earnings per ordinary share** | **1,878,125** | 1,804,400 |
| Performance security rights (weighted average basis)(1) | **1,845** | 2,654 |
| **WANOS used as denominator in calculating diluted earnings per ordinary share** | **1,879,970** | 1,807,054 |

(1) Performance security rights granted under the Long Term Incentive plan are only included in dilutive earnings per ordinary share where the performance hurdles are met as at the year end.

**Calculation of earnings per share**
Basic earnings per share is calculated as net profit or loss attributable to ordinary shareholders of the Company, divided by the weighted average number of ordinary shares outstanding during the financial year which is adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share is calculated as net profit or loss attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares and dilutive potential ordinary securities. Where there is no difference between basic earnings per share and diluted earnings per share, the term basic and diluted earnings per ordinary share is used.

## 13. DIVIDENDS PAID AND PAYABLE

No dividends have been paid or declared for the 2019 financial year (2018: nil).

## NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

### 14. BORROWINGS

| | 31 Dec 19 | | 31 Dec 18 | |
|---|---|---|---|---|
| | Carrying amount(1) $'000 | Fair value(2) $'000 | Carrying amount(1) $'000 | Fair value(2) $'000 |
| Current borrowings at amortised cost - secured | **4,651** | **4,670** | - | - |
| Current related party borrowings from GPT Trust at amortised cost | **19,224** | **19,224** | - | - |
| **Current borrowings** | **23,875** | **23,894** | - | - |
| Non-current borrowings at amortised cost - secured | **-** | **-** | 12,587 | 12,636 |
| Non-current related party borrowings from GPT Trust at amortised cost | **61,654** | **61,654** | 142,031 | 142,031 |
| **Non-current borrowings** | **61,654** | **61,654** | 154,618 | 154,667 |
| **Total borrowings** | **85,529** | **85,548** | 154,618 | 154,667 |

(1) Including unamortised establishment costs.
(2) For the majority of borrowings, the carrying amount approximates its fair value. The fair value of fixed rate interest-bearing borrowings is estimated by discounting the future contractual cash flows at the current market interest rate curve. Excluding unamortised establishment costs.

The unsecured borrowings below have been provided by the Trust and its subsidiaries and are subject to limited recourse. These have been revalued to nil at 31 December 2019 (Dec 2018: nil) based on an adjusted working capital calculation, in accordance with the loan agreements.

- The amount outstanding on the loan facility to GPT Management Holdings Limited at 31 December 2019 is $327,527,776 (Dec 2018: $332,527,776). This facility expires on 31 December 2030.
- The amount outstanding on the loan facility to GPT International Pty Limited at 31 December 2019 is $54,359,269 (Dec 2018: $59,359,269). This facility expires on 12 June 2032.
- The amount outstanding on the loan facility to Voyages Hotels & Resorts (Loan 1) at 31 December 2019 is $11,347,082 (Dec 2018: $16,347,082). This facility expires on 3 January 2035.
- The amount outstanding on the loan facility to Voyages Hotels & Resorts (Loan 2) at 31 December 2019 is $26,683,609 (Dec 2018: $31,683,609). This facility expires on 30 June 2032.

No interest is payable in connection with the above loans from 3 September 2015. The loans are non-revolving interest free borrowings that are revalued each reporting date in accordance with accounting standards.

Borrowings are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Under this method, any transaction fees, costs, discounts and premiums directly related to the borrowings are recognised in the Consolidated Statement of Comprehensive Income over the expected life of the borrowings.

All borrowings with maturities greater than 12 months after reporting date are classified as non-current liabilities.

When the terms of a financial liability are modified, AASB 9 requires an entity to perform an assessment to determine whether the modified terms are substantially different from the existing financial liability. Where a modification is substantial, it will be accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. Where the modification does not result in extinguishment, the difference between the existing carrying amount of the financial liability and the modified cash flows discounted at the original effective interest rate is recognised in the Consolidated Statement of Comprehensive Income as gain/loss on modification of financial liability. There were no modified terms relevant to the Consolidated Entity's intercompany loans for the year ended 31 December 2019.

The maturity profile of borrowings is provided below:

| | Total facility(1) $'000 | Used facility(1) $'000 | Unused facility $'000 |
|---|---|---|---|
| Due within one year | 24,224 | 23,894 | 330 |
| Due between one and five years | 121,700 | 32,822 | 88,878 |
| Due after five years | 501,918 | 448,749 | 53,169 |
| | **647,842** | **505,465** | **142,377** |
| Cash and cash equivalents | | | **21,677** |
| **Total financing resources available at the end of the year** | | | **164,054** |

(1) Excludes unamortised establishment costs.

Cash and cash equivalents includes cash on hand, cash at bank and short term money market deposits.

### 15. FINANCIAL RISK MANAGEMENT

The Board approve the Consolidated Entity's treasury policy which:

- establishes a framework for the management of risks inherent to the capital structure;
- defines the role of the Consolidated Entity's treasury; and
- sets out the policies, limits, monitoring and reporting requirements for cash, borrowings, liquidity, credit risk, foreign exchange and interest rate instruments.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

**(a) Interest rate risk**

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Consolidated Entity's primary interest rate risk arises from interest bearing borrowings. The table below provides a summary of the Consolidated Entity's gross interest rate risk exposure as at 31 December 2019 on interest bearing borrowings together with the net effect of interest rate risk management transactions. This excludes unamortised establishment costs.

| | Gross exposure | | Net exposure | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | **$'000** | $'000 | **$'000** | $'000 |
| Floating rate interest-bearing borrowings | **85,529** | 154,618 | **85,529** | 154,618 |
| | **85,529** | 154,618 | **85,529** | 154,618 |

The impact on interest expense and interest revenue of a 1 per cent increase or decrease in market interest rates is shown below.

A 1 per cent increase or decrease is used for consistency of reporting interest rate risk across the Consolidated Entity and represents management's assessment of the potential change in interest rates.

| | **2019** | **2019** | 2018 | 2018 |
|---|---|---|---|---|
| | **(+1%)** | **(-1%)** | (+1%) | (-1%) |
| | **$'000** | **$'000** | $'000 | $'000 |
| **Impact on Statement of Comprehensive Income** | | | | |
| Impact on interest revenue increase/(decrease) | **217** | **(217)** | 193 | (193) |
| Impact on interest expense (increase)/decrease | **(855)** | **855** | (1,547) | 1,547 |
| | **(638)** | **638** | (1,354) | 1,354 |

**(b) Liquidity risk**

Liquidity risk is the risk that the Consolidated Entity, as a result of its operations:

- will not have sufficient funds to settle a transaction on the due date;
- will be forced to sell financial assets at a value which is less than what they are worth; or
- may be unable to settle or recover a financial asset at all.

The Consolidated Entity manages liquidity risk by:

- maintaining sufficient cash;
- maintaining an adequate amount of committed credit facilities;
- maintaining a minimum liquidity buffer in cash and surplus committed facilities for the forward rolling twelve month period; and
- maintaining the ability to close out market positions.

The table below shows an analysis of the undiscounted contractual maturities of liabilities which forms part of the Consolidated Entity's assessment of liquidity risk.

| | 31 Dec 19 | | | | |
|---|---|---|---|---|---|
| | **1 year or less** | **Over 1 year to 2 years** | **Over 2 years to 5 years** | **Over 5 years** | **Total** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Liabilities** | | | | | |
| **Non-derivatives** | | | | | |
| Payables | **36,168** | **-** | **-** | **-** | **36,168** |
| Lease liability | **8,040** | **8,762** | **29,941** | **16,641** | **63,384** |
| Borrowings(1) | **23,894** | **-** | **32,822** | **448,749** | **505,465** |
| Projected interest cost from borrowings | **2,507** | **1,783** | **5,413** | **996** | **10,699** |
| **Total liabilities** | **70,609** | **10,545** | **68,176** | **466,386** | **615,716** |
| Less cash and equivalents | **21,677** | **-** | **-** | **-** | **21,677** |
| **Total liquidity exposure** | **48,932** | **10,545** | **68,176** | **466,386** | **594,039** |

(1) Excluding unamortised establishment costs and fair value adjustments. Includes unsecured borrowings provided by the Trust and its subsidiaries which have been revalued to nil as per note 14.

| | 31 Dec 18 | | | | |
|---|---|---|---|---|---|
| | 1 year or less | Over 1 year to 2 years | Over 2 years to 5 years | Over 5 years | Total |
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Liabilities** | | | | | |
| **Non-derivatives** | | | | | |
| Payables | 36,889 | - | - | - | 36,889 |
| Borrowings[(1)] | - | 31,860 | - | 562,724 | 594,584 |
| Projected interest cost from borrowings | 10,429 | 9,569 | 27,097 | 5,993 | 53,088 |
| **Total liabilities** | 47,318 | 41,429 | 27,097 | 568,717 | 684,561 |
| Less cash and equivalents | 19,259 | - | - | - | 19,259 |
| **Total liquidity exposure** | 28,059 | 41,429 | 27,097 | 568,717 | 665,302 |

(1) Excluding unamortised establishment costs and fair value adjustments. Includes unsecured borrowings provided by the Trust and its subsidiaries which have been revalued to nil as per note 14.

**(c) Refinancing risk**
Refinancing risk is the risk that credit is unavailable or available at unfavourable interest rates and credit market conditions result in an unacceptable increase in the Consolidated Entity's interest cost. Refinancing risk arises when the Consolidated Entity is required to obtain debt to fund existing and new debt positions. The Consolidated Entity manages this risk by spreading sources, counterparties and maturities of borrowings in order to minimise debt concentration risk, allow averaging of credit margins over time and reducing refinance amounts.

As at 31 December 2019, the Consolidated Entity's exposure to refinancing risk can be monitored by the spreading of its contractual maturities on borrowings in the liquidity risk table above or with the information in note 14.

**(d) Foreign exchange risk**
Foreign exchange risk refers to the risk that the value of a financial commitment, asset or liability will fluctuate due to changes in foreign exchange rates. The Consolidated Entity's foreign exchange risk arises primarily from:

- firm commitments of highly probable forecast transactions for receipts and payments settled in foreign currencies or with prices dependent on foreign currencies; and
- investments in foreign assets.

Sensitivity to foreign exchange is deemed insignificant.

**(e) Credit risk**
Credit risk is the risk that a contracting entity will not complete its obligations under a contractual agreement, resulting in a financial loss to the Consolidated Entity. The Consolidated Entity has exposure to credit risk on all financial assets included on their Consolidated Statement of Financial Position.

The Consolidated Entity manages this risk by:

- establishing credit limits for financial institutions and monitoring credit exposures for customers to ensure that the Consolidated Entity only trades and invests with approved counterparties;
- providing loans to joint ventures, associates and third parties, only where the Consolidated Entity is comfortable with the underlying property exposure within that entity;
- regularly monitoring loans and receivables balances;
- regularly monitoring the performance of its associates, joint ventures and third parties; and
- obtaining collateral as security (where appropriate).

Receivables are reviewed regularly throughout the year.

The maximum exposure to credit risk as at 31 December 2019 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position. For more information, refer to note 3.

**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2019

## OTHER DISCLOSURE ITEMS

### 16. CASH FLOW INFORMATION

**(a) Cash flows from operating activities**

Reconciliation of net profit after income tax to net cash inflows from operating activities:

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Net profit/(loss) for the year | **9,565** | (40,962) |
| Share of after tax loss/(profit) of equity accounted investments (net of distributions) | **93** | (233) |
| Impairment (reversal)/expense | **(12,898)** | 11,256 |
| Profit on transfer from foreign cash translation reserve | **-** | (16,954) |
| Non-cash employee benefits - security based payments | **16,759** | 16,608 |
| Fair value movement of investment in Trust | **407** | (443) |
| Interest capitalised | **(4,448)** | (5,910) |
| Amortisation of rental abatement | **300** | 392 |
| Depreciation expense | **2,023** | 2,014 |
| Depreciation of right-of-use asset | **7,714** | - |
| Amortisation expense | **4,955** | 5,205 |
| Amortisation of deferred acquisition costs | **545** | 653 |
| Finance costs | **4,555** | 5,260 |
| Revaluation of financial arrangements | **20,000** | 75,000 |
| Profit on sale of inventory | **(4,477)** | (1,669) |
| Payments for inventories | **(14,065)** | (24,502) |
| Proceeds from inventories | **96,670** | 28,883 |
| (Increase)/decrease in operating assets | **(2,610)** | 47,589 |
| Decrease in operating liabilities | **(12,835)** | (30,608) |
| Other | **(841)** | 1,127 |
| **Net cash inflows from operating activities** | **111,412** | 72,706 |

**(b) Net debt reconciliation**
Reconciliation of net debt movements during the year:

| | Lease liability $'000 | Borrowings[(2)] $'000 | Less: Cash $'000 | Net Debt $'000 |
|---|---|---|---|---|
| **At 1 January 2018** | - | 119,067 | 20,033 | |
| Cash inflows/(outflows) | - | 6,892 | (774) | |
| Other non-cash movements | - | 28,659 | - | |
| **At 31 December 2018** | - | 154,618 | 19,259 | 135,359 |
| **At 1 January 2019** | **-** | **154,618** | **19,259** | |
| Cash inflows/(outflows) | **(7,338)** | **(73,253)** | **2,418** | |
| Other non-cash movements[(1)] | **70,722** | **4,164** | **-** | |
| **At 31 December 2019** | **63,384** | **85,529** | **21,677** | **127,236** |

(1) Lease liability includes opening balance adjustment on adoption of AASB 16, new leases, modifications and financing costs.
(2) Dec 2019: Excludes $20,000,000 in repayments of unsecured borrowings provided by the Trust and its subsidiaries revalued to nil (Dec 2018: $75,000,000).

### 17. COMMITMENTS

**(a) Capital expenditure commitments**
Capital expenditure commitments at 31 December 2019 were $3,924,000 (Dec 2018: $10,019,000).

Commitments arise from the purchase of plant and equipment and intangibles, which have been contracted for at balance date but not recognised on the Consolidated Statement of Financial Position.

**(b) Commitments relating to equity accounted investments**

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Capital expenditure commitments | **334** | 40 |
| **Total joint venture and associates commitments** | **334** | 40 |

The capital expenditure commitments in the Consolidated Entity's equity accounted investments at 31 December 2019 relate to Lendlease GPT (Rouse Hill) Pty Limited (Dec 2018: Lendlease GPT (Rouse Hill) Pty Limited).

## 18. CONTINGENT LIABILITIES

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

GPT Management Holdings Ltd has provided guarantees over GPT RE Limited as responsible entity of the Trust's obligations under the note purchase and guarantee agreements in relation to US Private Placement issuances totalling US$1,205,000,000 and A$65,000,000 until July 2034.
Apart from the matter referred to above, there are no other material contingent liabilities at reporting date.

## 19. SECURITY BASED PAYMENTS

GPT currently has four employee security schemes – the General Employee Security Ownership Plan (GESOP), the Broad Based Employee Security Ownership Plan (BBESOP), the Deferred Short Term Incentive Plan (DSTI) and the Long Term Incentive (LTI) Scheme.

### (a) GESOP

The Board believes in creating ways for employees to build an ownership stake in the business. As a result, the Board introduced the GESOP in March 2010 for individuals who do not participate in the LTI.

Under the plan individuals who participate receive an additional benefit equivalent to 10 per cent of their short term incentives (STIC) which is (after the deduction of income tax) invested in GPT securities to be held for a minimum of one year. The cost of this benefit is recognised as an expense during the year.

### (b) BBESOP

Under the plan individuals who are not eligible to participate in any other employee security scheme may receive $1,000 worth of GPT securities or $1,000 cash if GPT achieves at least target level performance. Securities must be held for the earlier of three years or the end of employment. The cost of this benefit is recognised as an expense during the year.

### (c) DSTI

Since 2014, STIC is delivered to the senior executives as 50 per cent in cash and 50 per cent in GPT stapled securities (a deferred component). The deferred component is initially awarded in the form of performance rights, with the rights converting to restricted GPT stapled securities to the extent the performance conditions are met. For the 2014 and 2015 plans, half of the awarded stapled securities will vest one year after conversion with the remaining half vesting two years after conversion, subject to continued employment up to the vesting dates. For the 2016 and any subsequent plans, all the awarded stapled securities will vest one year after conversion, subject to continued employment up to the vesting date.

### (d) LTI

At the 2009 Annual General Meeting (AGM), GPT securityholders approved the introduction of a LTI plan based on performance rights. Any subsequent amendments to the LTI plan have been approved by GPT securityholders.

The LTI plan covers each three year period. Awards under the LTI to eligible participants are in the form of performance rights which convert to GPT stapled securities for nil consideration if specified performance conditions for the applicable three year period are satisfied. Please refer to the Remuneration Report for detail on the performance conditions.

The Board determines those executives eligible to participate in the plan and, for each participating executive, grants a number of performance rights calculated as a percentage of their base salary divided by GPT's volume weighted average price (VWAP) for the final quarter of the year preceding the plan launch.

**Fair value of performance rights issued under DSTI and LTI**

The fair value of the performance rights is recognised as an employee benefit expense with a corresponding increase in the employee security scheme reserve in equity and employee benefits provision. Fair value is measured at each reporting period, recognised over the period from the grant date of the performance rights to the vesting date. Non-market vesting conditions are included in assumptions about the number of rights that are expected to be vested. At each reporting date, GPT 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 the revision to original estimates, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity and employee benefits provision.

Fair value of the performance rights issued under LTI is determined using the Monte Carlo simulation and the Black Scholes methodologies. Fair value of the performance rights issued under DSTI is determined using the security price. The following key inputs are taken into account:

| | 2019 LTI | 2019 DSTI |
|---|---|---|
| Fair value of rights at valuation date | $3.31 | $5.60 |
| Security price at valuation date | $5.60 | $5.60 |
| Total Securityholder Return | 14.3% | N/A |
| Grant dates | 2 April 2019 | 2 April 2019 |
| Expected vesting dates | 31 December 2021 | 31 December 2020 |
| Security Price at the grant date | $6.09 | $6.09 |
| Expected life | 3 years (2 years remaining) | 2 years (1 year remaining) |
| Distribution yield | 4.7% | 4.7% |
| Risk free interest rate | 0.9% | N/A |
| Volatilty(1) | 17.2% | N/A |

(1) The volatility is based on the historic volatility of the security.

## NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

### (e) Summary table of all employee security schemes

| | Number of rights | | |
|---|---|---|---|
| | DSTI | LTI | Total |
| Rights outstanding at 1 January 2018 | 1,338,498 | 8,346,213 | 9,684,711 |
| Rights granted during 2018 | 1,308,548 | 2,712,482 | 4,021,030 |
| Rights forfeited during 2018 | (550,030) | (879,580) | (1,429,610) |
| Rights converted to GPT stapled securities during 2018[(1)] | (875,344) | (2,332,026) | (3,207,370) |
| **Rights outstanding at 31 December 2018** | 1,221,672 | 7,847,089 | 9,068,761 |
| Rights outstanding at 1 January 2019 | **1,221,672** | **7,847,089** | **9,068,761** |
| Rights granted during 2019 | **1,254,814** | **2,647,673** | **3,902,487** |
| Rights forfeited during 2019 | **(466,861)** | **(887,611)** | **(1,354,472)** |
| Rights converted to GPT stapled securities during 2019[(2)] | **(774,921)** | **(2,146,497)** | **(2,921,418)** |
| **Rights outstanding at 31 December 2019** | **1,234,704** | **7,460,654** | **8,695,358** |

(1) Rights under the 2017 DSTI plan were converted to GPT stapled securities on 19 March 2018 and rights under the 2015 LTI Plan were converted to GPT stapled securities on 13 February 2018.
(2) Rights under the 2018 DSTI plan were converted to GPT stapled securities on 19 March 2019 and rights under the 2016 LTI Plan were converted to GPT stapled securities on 14 February 2019.

| | Number of stapled securities | | |
|---|---|---|---|
| | GESOP | BBESOP | Total |
| Securities outstanding at 1 January 2018 | 53,982 | 123,553 | 177,535 |
| Securities granted during 2018 | 62,609 | 37,488 | 100,097 |
| Securities vested during 2018 | (53,982) | (46,277) | (100,259) |
| **Securities outstanding at 31 December 2018** | 62,609 | 114,764 | 177,373 |
| Securities outstanding at 1 January 2019 | **62,609** | **114,764** | **177,373** |
| Securities granted during 2019 | **48,472** | **30,429** | **78,901** |
| Securities vested during 2019 | **(70,161)** | **(48,055)** | **(118,216)** |
| **Securities outstanding at 31 December 2019** | **40,920** | **97,138** | **138,058** |

## 20. RELATED PARTY TRANSACTIONS

GPT Management Holdings Limited is the ultimate parent entity. The Consolidated Entity is stapled to the Trust and the Group financial statements include the results of the stapled entity as a whole.

Equity interests in joint ventures and associates are set out in note 2. Payables and loans with the Trust are set out in note 8 and note 14 respectively.

All related party transactions have been agreed on commercial terms and conditions.

**Key management personnel**
Key management personnel compensation was as follows:

| | 31 Dec 19 | 31 Dec 18 |
|---|---|---|
| | $ | $ |
| Short term employee benefits | **7,173,959** | 6,943,395 |
| Post employment benefits | **181,352** | 178,330 |
| Long term incentive award accrual | **1,863,346** | 2,050,446 |
| **Total key management personnel compensation** | **9,218,657** | 9,172,171 |

Information regarding individual Directors' and Senior Executives' remuneration is provided in the Remuneration Report.

There have been no other transactions with key management personnel during the year.

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

**Transactions with related parties**

| | 31 Dec 19<br>$ | 31 Dec 18<br>$ |
|---|---|---|
| **Transactions with related parties other than associates and joint ventures** | | |
| **Transactions with General Property Trust (Trust):** | | |
| **Revenue and expenses** | | |
| Fund management fees from Trust | **23,374,999** | 25,087,668 |
| Property management fees from Trust | **14,855,934** | 14,160,874 |
| Development management fees from Trust | **18,464,865** | 20,472,495 |
| Option fees received from Trust | **-** | 538,500 |
| Management costs recharged from Trust | **7,086,164** | 7,516,215 |
| Property rent and outgoings paid to Trust | **(2,831,741)** | (3,774,934) |
| Interest expense payable to Trust | **(4,935,270)** | (5,725,395) |
| **Receivables** | | |
| Current receivables | **17,376,670** | 14,961,590 |
| Other non-current asset receivable | **3,075,000** | 3,050,000 |
| **Other transactions** | | |
| Revaluation of arrangements with Trust - continued and discontinued operations | **20,000,000** | 75,000,000 |
| Purchase of inventory from Trust | **-** | 5,925,000 |
| Sale of inventory to Trust | **38,100,000** | - |
| **Transactions with employees** | | |
| Contributions to superannuation funds on behalf of employees | **(6,520,992)** | (6,172,487) |
| **Transactions with GWOF and GWSCF:** | | |
| **Revenue** | | |
| Responsible Entity fees | **61,869,565** | 58,232,953 |
| Asset management fees | **16,643,525** | 17,654,198 |
| Development management fees | **6,831,465** | 5,196,484 |
| Directors fees recharged | **659,320** | 657,717 |
| Management costs recharged | **5,581,166** | 5,698,709 |
| Payroll costs recharged | **9,765,827** | 9,519,877 |
| **Expense** | | |
| Rent expenses | **(4,275,776)** | (1,406,006) |
| **Receivables and payables** | | |
| Current receivable outstanding | **5,582,448** | 7,200,079 |
| Current fund management fee receivable | **17,383,913** | 14,934,895 |

## NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

### 21. AUDITORS REMUNERATION

| | 31 Dec 19<br>$ | 31 Dec 18<br>$ |
|---|---|---|
| **Audit services** | | |
| **PricewaterhouseCoopers Australia** | | |
| Statutory audit and review of financial reports | **377,996** | 278,996 |
| **Total remuneration for audit services** | **377,996** | 278,996 |
| **Other assurance services** | | |
| **PricewaterhouseCoopers Australia** | | |
| Regulatory and contractually required audits | **105,897** | 257,813 |
| **Total remuneration for other assurance service** | **105,897** | 257,813 |
| **Total remuneration for audit and assurance service** | **483,893** | 536,809 |
| **Non-audit related services** | | |
| **PricewaterhouseCoopers Australia** | | |
| Other services | **-** | 15,300 |
| **Total remuneration for non-audit related services** | **-** | 15,300 |
| **Total auditor's remuneration** | **483,893** | 552,109 |

### 22. PARENT ENTITY FINANCIAL INFORMATION

| | Parent entity | |
|---|---|---|
| | **31 Dec 19<br>$'000** | 31 Dec 18<br>$'000 |
| **ASSETS** | | |
| Total current assets | **398,869** | 387,757 |
| Total non-current assets | **213,494** | 116,561 |
| Total assets | **612,363** | 504,318 |
| **LIABILITIES** | | |
| Total current liabilities | **256,507** | 208,364 |
| Total non-current liabilities | **67,215** | 21,139 |
| Total liabilities | **323,722** | 229,503 |
| **Net assets** | **288,641** | 274,815 |
| **EQUITY** | | |
| Contributed equity | **331,974** | 325,855 |
| Reserves | **4,879** | 4,426 |
| Accumulated losses | **(48,212)** | (55,466) |
| **Total equity** | **288,641** | 274,815 |
| **Profit attributable to members of the parent entity** | **7,296** | 145,651 |
| **Total comprehensive income for the year attributable to members of the parent entity** | **7,296** | 145,651 |

**Capital expenditure commitments**
The parent entity has $3,327,000 capital expenditure commitments at 31 December 2019 (Dec 2018: $7,893,000).

**Parent entity financial information**
The financial information for the parent entity of the Consolidated Entity, GPT Management Holdings Limited, has been prepared on the same basis as the consolidated financial statements, except where set out below.

**Investments in subsidiaries, associates and joint ventures**
Investments in subsidiaries, associates and joint ventures are accounted for at cost in the financial statements of the parent entity. Distributions received from subsidiaries, associates and joint ventures are recognised in the parent entity's profit or loss rather than being deducted from the carrying amount of these investments.

## NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019

## 23. FAIR VALUE DISCLOSURES

Information about how the fair value of financial instruments is calculated and other information required by the accounting standards, including the valuation process and critical assumptions underlying the valuations are disclosed below.

### (a) Fair value measurement, valuation techniques and inputs

| Class of assets | Fair value hierarchy | Valuation technique | Classification under AASB 9 | Inputs used to measure fair value | Range of unobservable inputs 31 Dec 19 | 31 Dec 18 |
|---|---|---|---|---|---|---|
| Investment in financial assets | Level 1 | Market price | Fair value through the profit and loss | Market price | Not applicable - observable input | |

The different levels of the fair value hierarchy have been defined as follows:
Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## 24. DISCONTINUED OPERATIONS AND AVAILABLE FOR SALE FINANCIAL ASSETS

### (a) Discontinued operations
At 31 December 2019, there are two discontinued operations: Hotel/Tourism portfolio and Funds Management – Europe portfolio.

**Hotel/Tourism**
The Consolidated Entity has substantially completed its exit from the Hotel/Tourism portfolio.

**Funds Management - Europe**
Relates to equity investments in wholly owned foreign subsidiaries (a legacy of GPT's ownership of GPT Halverton).

### (b) Details of financial performance and cash flow information relating to discontinued operations
The table below sets out the financial performance and cash flow information for the discontinued operations that continue to be owned by the Consolidated Entity at reporting date.

| | 31 Dec 19 $'000 | 31 Dec 18 $'000 |
|---|---|---|
| Revenue | - | 17,015 |
| Expenses | (10,050) | (32,542) |
| **Loss before income tax** | **(10,050)** | (15,527) |
| Income tax | - | - |
| **Loss after income tax of discontinued operations** | **(10,050)** | (15,527) |
| Net cash outflow from operating activities | - | - |
| **Net decrease in cash from discontinued operations** | **-** | - |

**Discontinued operation**
A discontinued operation is a part of the Consolidated Entity's business that:
- it has disposed of or has classified as held for sale and that represents a major line of its business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of such a line of business or area of operations.

The results of discontinued operations are presented separately on the face of the Consolidated Statement of Comprehensive Income and the assets and liabilities are presented separately on the face of the Consolidated Statement of Financial Position.

## 25. ACCOUNTING POLICIES

### (a) Basis of preparation
The general purpose financial report has been prepared:
- in accordance with the requirements of the Company's constitution, *Corporations Act 2001*, Australian Accounting Standards (AAS) and other authoritative pronouncements of the Australian Accounting Standards Board and International Financial Reporting Standards;
- on a going concern basis in the belief that the Consolidated Entity will realise its assets and settle its liabilities and commitments in the normal course of business and for at least the amounts stated in the financial statements. The Consolidated Entity has access to undrawn financing facilities of $142,377,000 as set out in note 14;
- under the historical cost convention, as modified by the revaluation for financial assets and liabilities at fair value through the Consolidated Statement of Comprehensive Income;
- using consistent accounting policies and adjustments to bring into line any dissimilar accounting policies being adopted by the controlled entities, associates or joint ventures; and
- in Australian dollars with all values rounded to the nearest thousand dollars, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

Comparatives in the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and notes to the financial statements have been restated to the current year presentation. There was no effect on the loss for the year.

The financial report was approved by the Board of Directors on 10 February 2020.

### (b) Basis of consolidation

**Controlled entities**
The consolidated financial statements of the Consolidated Entity report the assets, liabilities and results of all controlled entities for the financial year.

Controlled entities are all entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity 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 to direct the activities of the entity.

Controlled entities are consolidated from the date on which control is obtained to the date on which control is disposed. The acquisition of controlled entities is accounted for using the acquisition method of accounting. All intercompany balances and transactions, income, expenses, profits and losses resulting from intra-group transactions have been eliminated.

**Associates**
Associates are entities over which the Consolidated Entity has significant influence but not control, generally accompanying a shareholding of between 20 per cent and 50 per cent of the voting rights.

GPT Funds Management Limited (GPTFM), which is wholly owned by the Company is the Responsible Entity (RE) of the Funds. The Board of GPTFM comprises six Directors, of which GPT can only appoint two. As a result, the Company has significant influence over GPTFM and accordingly accounts for it as an associate using the equity method.

GPT RE Limited (GPTRE), which is wholly owned by the Company owns 91.67 per cent of Darling Park Operator No.1 Pty Limited and Darling Park Operator No.2 Pty Limited, the Trustees of Darling Park Trust and Darling Park Trust No.2. These entities are governed by a Unitholder Committee. The Unitholder and Joint Venture Agreement stipulates that each unit holder has one member, with voting rights in proportion to their unitholding and all resolutions must be passed unanimously. As a result, management has determined that the Company has significant influence over these entities and accordingly accounts for them as an associate using the equity accounted method.

Investments in associates are accounted for using the equity method. Under this method, the Consolidated Entity's investment in associates is carried in the Consolidated Statement of Financial Position at cost plus post acquisition changes in the Consolidated Entity's share of net assets. The Consolidated Entity's share of the associates' result is reflected in the Consolidated Statement of Comprehensive Income. Where the Consolidated Entity's share of losses in associates equals or exceeds its interest in the associate, including any other unsecured long term receivables, the Consolidated Entity does not recognise any further losses, unless it has incurred obligations or made payments on behalf of the associate.

**Joint arrangements**
Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor has, rather than the legal structure of the joint arrangement. The Consolidated Entity has assessed the nature of its joint arrangements and determined it has joint ventures only.

**Joint ventures**
Investments in joint ventures are accounted for in the Consolidated Statement of Financial Position using the equity method which is the same method adopted for associates.

### (c) Other accounting policies

Significant accounting policies that summarise the recognition and measurement basis used and are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

Other accounting policies include:

**Revenue**

**Revenue from contracts with customers**
Revenue is recognised over time if:
- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

Where the above criteria is not met, revenue is recognised at a point in time.

**(i) Revenue from contracts with customers**
The following table summarises the revenue recognition policies.

| Type of revenue | Description | Recognised |
|---|---|---|
| Fund management fees | The Consolidated Entity provides fund management services to GPT Wholesale Office Fund (GWOF) and GPT Wholesale Shopping Centre Fund (GWSCF) (the Funds) in accordance with the Funds constitutions. The services are utilised on an ongoing basis and revenue is calculated and recognised in accordance with the relevant constitution. The fees are invoiced on a quarterly basis and consideration is payable within 21 days of the quarter end. | Over time |
| Fee income - property management fees | The Consolidated Entity provides property management services to the owners of property assets in accordance with property services agreements. The services are utilised on an ongoing basis and revenue is calculated and recognised in accordance with the specific agreement. The fees are invoiced monthly with variable payment terms depending on the individual agreements. Should an adjustment, as calculated in accordance with the property services agreement be required, this is recognised in the Consolidated Statement of Comprehensive Income within the same reporting period. | Over time |

| | | |
|---|---|---|
| Fee income - property management leasing fees - over time | Under some property management agreements, the Consolidated Entity provides a lease management service to the owners. These services are delivered on an ongoing basis and revenue is recognised monthly, calculated in accordance with the property management agreement. The fees are invoiced monthly with variable payment terms depending on the individual agreements. | Over time |
| Fee income - property management leasing fees - point in time | Under some property management agreements, the Consolidated Entity provides leasing management services to the owners. The revenue is recognised when the specific service is delivered (e.g. on lease execution) and consideration is due 30 days from invoice date. | Point in time |
| Development management fees | The Consolidated Entity provides development management services to the owners of property assets in accordance with development management agreements. Revenue is calculated and recognised in accordance with the specific agreement. The fees are invoiced on a monthly basis, in arrears, and consideration is due 30 days from invoice date. | Over time/Point in time |
| Development revenue | The Consolidated Entity provides development management services to the owners of property assets in accordance with development management agreements. Revenue is calculated in accordance with the specific agreement and invoiced in accordance with the contract terms. Consideration is due from the customer based on the specific terms agreed in the contract and is recognised when the Consolidated Entity has control of the benefit. | Point in time |
| Sale of inventory | Proceeds from the sale of inventory are recognised by the Consolidated Entity in accordance with a specific contract entered into with another party for the delivery of inventory. Revenue is calculated in accordance with the contract. Consideration is payable in accordance with the contract. Revenue is recognised when control has been transferred to the buyer. | Point in time |

**(ii) Other revenue**
Rental revenue is recognised on a straightline basis over the lease term. When the Consolidated Entity provides lease incentives to tenants, any costs are recognised on a straightline basis over the lease term.

Revenue from dividends and distributions are recognised when they are declared.

Interest income is recognised on an accruals basis using the effective interest method.

**(iii) Expenses**
Property expenses and outgoings which include rates, taxes and other property outgoings, are recognised on an accruals basis.

**(iv) Finance costs**
Finance costs include interest, amortisation of discounts or premiums relating to borrowings and amortisation of ancillary costs incurred in connection with the arrangement of borrowings. Finance costs are expensed as incurred unless they relate to a qualifying asset.

A qualifying asset is an asset under development which generally takes a substantial period of time to bring to its intended use or sale. Finance costs incurred for the acquisition and construction of a qualifying asset are capitalised to the cost of the asset until completion of the asset. Where funds are borrowed specifically for a development project, finance costs associated with the development facility are capitalised. Where funds are used from group borrowings, finance costs are capitalised using the relevant capitalisation rate taking into account the Group's weighted average cost of debt.

**(v) Foreign currency translation**
**Functional and presentation currency**
Items included in the financial statements of each of the GPT entities are measured using the currency of the primary economic environment in which they operate ('the functional currency').

**Transactions and balances**
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income.

**Foreign operations**
Non-monetary items that are measured in terms of historical cost are converted using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences of non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

Exchange differences arising on monetary items that form part of the net investment in a foreign operation are taken against a foreign currency translation reserve on consolidation.

Where forward foreign exchange contracts are entered into to cover any anticipated excesses of revenue less expenses within foreign joint ventures, they are converted at the ruling rates of exchange at the reporting period. The resulting foreign exchange gains and losses are taken to the Consolidated Statement of Comprehensive Income.

**(vi) Goods and Services Tax (GST)**
Revenues, expenses and assets are recognised net of the amount of GST (or equivalent tax in overseas locations) except where the GST incurred on purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the

asset or as part of the expense item as applicable. Receivables and payables are stated inclusive of the amount of GST. The net amount of GST receivable from, or payable to, the taxation authority is included with other receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are presented on a gross basis in the Consolidated Statement of Cash Flows. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the taxation authority are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

**(vii) Deferred acquisition costs**
Deferred acquisition costs associated with the property management business are costs that are directly related to and incremental to earning property management fee income. These costs are recorded as an asset and are amortised in the income statement on the same basis as the recognition of property management fee revenue.

**(d) New and amended accounting standards and interpretations adopted from 1 January 2019**
The Consolidated Entity has adopted AASB 16 at 1 January 2019. AASB 16 replaces AASB 117 *Leases* and is effective for reporting periods on or after 1 January 2019. The impact on the Consolidated Entity's previously reported financial position at 31 December 2018 as a result of the adoption of AASB 16 and its application is detailed in note 26.

**(e) New accounting standards and interpretations issued but not yet adopted**
There are no new standards or amendments to standards relevant to the Consolidated Entity.

## 26. ADOPTION OF NEW ACCOUNTING STANDARD

**AASB 16 Leases**
The Consolidated Entity has adopted AASB 16 retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and adjustments arising from the new leasing rules are therefore recognised in the opening Consolidated Statement of Financial Position on 1 January 2019.

**(a) Policies applicable from 1 January 2019**
Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Consolidated Entity's incremental borrowing rate is used. The incremental borrowing rate is calculated by interpolating or extrapolating secondary market yields on the Group's domestic medium term notes (MTNs) for a term equivalent to the lease. If there are no MTNs that mature within a reasonable proximity of the lease term, indicative pricing of where the Group can price a new debt capital market issue for a comparative term will be used in the calculation.

Lease liabilities are subsequently measured by:
- increasing the carrying amount to reflect interest on the lease liabilities;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the Consolidated Statement of Comprehensive Income in the period in which they relate. Interest on lease liabilities included in finance costs in the Consolidated Statement of Comprehensive Income totalled $1,993,000 for the year.

Right-of-use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability. The cost of the asset include:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Additions to the right-of-use assets during the year were $10,237,000.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Consolidated Entity determines the lease term as the non-cancellable period of a lease together with both:
- the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the year the financial effect of revising lease terms was an increase in recognised liabilities and right-of-use assets of $23,056,000.

The Consolidated Entity tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. 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.

The Consolidated Entity's right-of-use assets are all property leases.

**(b) Adjustments recognised on adoption of AASB 16**
On adoption of AASB 16, the Consolidated Entity recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Consolidated Entities weighted average incremental borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.7 per cent.

The difference between the operating lease commitments disclosed at 31 December 2018 of $52,990,000 discounted using the incremental borrowing rate as 1 January 2019 and the balance of the lease liabilities recognised at 1 January 2019 reflects:

- the exclusion of leases committed to but for which the term had not yet commenced;
- the removal of contracts reassessed as service agreements; and
- adjustments as a result of different treatment of extension and termination options.

Right-of-use assets were measured on a retrospective basis as if the new rules had always been applied. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The Consolidated Entity has revised the opening balance adjustments from those disclosed in the interim accounts as a result of a change in deferred tax treatment in accordance with *ED-294 Deferred Tax related to Assets and Liabilities arising from a Single Transaction* released in July 2019, and a reassessment by management of the ownership of some fitout assets.

**(c) Practical expedients applied**

In applying AASB 16 for the first time, the Consolidated Entity has used the following practical expedients permitted by the standard:

- the use of a single discount rate to the portfolio of property leases where they have reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous; and
- the exclusion of initial direct costs for the measurement of the right-of-use assets at the date of initial application.

The Consolidated Entity has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the group relied on its assessment made applying AASB 117 and *Interpretation 4 Determining whether an arrangement contains a Lease*.

## 27. EVENTS SUBSEQUENT TO REPORTING DATE

The Consolidated Entity sold lot 312 on 24 January 2020 at 30 Nashos Place, Wacol (Metroplex). The Consolidated Entity's share of the total consideration for this sale was $735,000.

Other than the above, the Directors are not aware of any matter or circumstances occurring since 31 December 2019 that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years.

## DIRECTORS' DECLARATION

Year ended 31 December 2019

In the directors of GPT Management Holdings Limited's opinion:

(a) the consolidated financial statements and notes set out on pages 23 to 48 are in accordance with the *Corporations Act 2001*, including:
   – complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   – giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

(b) the consolidated financial statements and notes comply with International Financial Reporting Standards as disclosed in note 25 to the financial statements.

(c) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with the resolution of the directors.

Vickki McFadden
Chairman

Bob Johnston
Chief Executive Officer and Managing Director

GPT Management Holdings Limited

Sydney
10 February 2020

# *Independent auditor's report*

To the members of GPT Management Holdings Limited

## *Report on the audit of the financial report*

### *Our opinion*

In our opinion:

The accompanying financial report of GPT Management Holdings Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

***What we have audited***

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2019
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

### *Basis for opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

***Independence***

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### *Our audit approach*

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if

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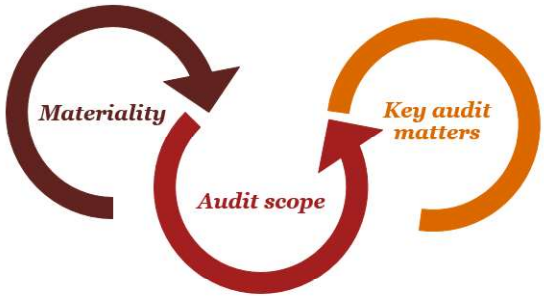
individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.




| *Materiality* | *Audit scope* | *Key audit matters* |
|---|---|---|
| • For the purpose of our audit we used overall Group materiality of $2.4 million, which represents approximately 1% of the Group's total revenue and other income.<br>• We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.<br>• We chose Group total revenue and other income as the Group generates income from funds management, property management and development management fees, whilst expenses within the Group are recharged to General Property Trust which can be altered based on the recharge model utilised.<br>• We selected a 1% threshold based on our professional judgement, noting it is also | • The audit scope covered the consolidated Group which includes GPT Management Holdings Limited and its controlled entities.<br>• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. | • Amongst other relevant topics, we communicated the following key audit matters to the Group's Audit Committee:<br>– Carrying value of inventories<br>– Revenue recognition<br>• These are further described in the *Key audit matters* section of our report. |

within the range of commonly acceptable revenue related thresholds.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| ***Carrying value of inventories***<br>*$118.0 million (2018: $178.3 million)*<br>*Refer to note 5*<br><br>The Group develops a portfolio of sites for future sale which are classified as inventory. The Group's inventories are held at the lower of the cost and net realisable value for each inventory project.<br><br>The cost of the inventory includes the cost of acquisition, development, capitalised interest and all other costs directly related to specific projects including an allocation of direct overhead expenses.<br><br>We considered the carrying value of inventories a key audit matter given the significant judgement required by the Group in estimating future selling prices, costs to complete projects and selling costs. These judgements may have a material impact on the calculation of net realisable value and therefore in determining whether the value of a project should be written down or have a previous impairment reversed. | For each project we obtained the Group's latest feasibility models. We also:<br>• discussed project specifics with management, for example the life cycle of the project, key project risks, changes to project strategy, current and future estimated sales prices, construction progress and costs and any new and previous impairments.<br>• compared the estimated selling prices to market sales data in similar locations or to recent sales in the project.<br>• compared the forecasted costs to complete for the project to the relevant construction advice (if applicable).<br>• compared the carrying value to the net realisable value (NRV) to identify projects with potential impairments.<br>• for inventory transferred from the Company to General Property Trust, we obtained the transfer agreements for the development sites transferred and agreed these to the transfer prices recorded.<br>• traced a sample of capital expenditure additions to supporting documentation and tested whether they were valid costs that could be capitalised in accordance with the requirements of Australian Accounting Standards. |
| ***Revenue recognition***<br>*$184.5 million (2018: $181.8 million)*<br><br>The Group earns revenue through its role as a fund and property manager, and through development revenue earned through the development of property, either for third parties, or directly on its own account for ultimate sale. Total revenue for the year ended 31 December | We developed an understanding of each revenue stream and the processes for calculating and recording revenue. We also developed an understanding of the process by which funds in relation to revenue are received into the Group's bank accounts, and identified the key controls including bank account reconciliations.<br><br>For funds and property management fees, we inspected |

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| 2019 was comprised of the following four streams:<br><br>• Fund management fees ($86.5 million).<br><br>• Property management fees ($44.3 million).<br><br>• Management costs recharged ($30.6 million).<br><br>• Development management fees ($23.0 million).<br><br>For all of the above revenue streams, a portion is earned from other entities in The GPT Group.<br><br>We considered this a key audit matter due to the magnitude of revenue and there being multiple revenue streams increasing the complexity of recognition. | a sample of agreements to develop an understanding of the basis for which revenue is earned. We recalculated a sample of the fees by applying the fee percentage per agreements to the relevant benchmark, such as funds net assets or property revenue.<br><br>For management costs recharged during the year, we discussed with management the terms under which costs are recharged by the Group to assets it manages. In relation to recharges:<br>• We developed an understanding of the budgeting process and obtained evidence of management review of the 2019 budget.<br>• We reconciled the approved management cost recharge budget to the general ledger.<br>• We agreed payroll recharge amounts to the audit procedures performed over the Group's remuneration expense<br><br>Development management fees are charged on an approved daily rate and actual time spent, or management approved project fees. We inspected Board minutes to obtain the approved development management day rates. We recalculated a sample of development management fees and agreed relevant inputs of the calculation back to source data, for example timesheet extracts. |

## *Other information*

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## *Responsibilities of the directors for the financial report*

The directors of the Company 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

## *Auditor's responsibilities for the audit of the financial report*

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

# *Report on the remuneration report*

## *Our opinion on the remuneration report*

We have audited the remuneration report included in pages 11 to 21 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of GPT Management Holdings Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

## *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 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.

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horl

Susan Horlin
Partner

Sydney
10 February 2020