



GPT Management Holdings Limited
ABN: 67 113 510 188

Annual Financial Report
31 December 2017

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 our internet site, we have ensured that our 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 our website: www.gpt.com.au.

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GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Year ended 31 December 2017

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 2017. The Consolidated Entity is stapled to the General Property Trust and 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

About GPT

GPT is an owner and manager of a \$12.3 billion diversified portfolio of high quality Australian retail, office and logistics property assets and together with GPT's funds management platform the Group has \$21.5 billion of property assets under management (AUM).

GPT owns some of Australia's most significant real estate assets, including the MLC Centre and Australia Square in Sydney, Melbourne Central and Highpoint Shopping Centre in Melbourne 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 \$9.2 billion. GPT is one of the top 50 listed stocks on the ASX by market capitalisation as at 31 December 2017.

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 2017 GPT achieved a Total Return of 15.2 per cent.

GPT targets a Management Expense Ratio (MER) of less than 45 basis points. MER is calculated as management expenses as a percentage of assets under management. In 2017 GPT achieved an MER of 34 basis points.

GPT focuses on maintaining a strong balance sheet. GPT has moderate gearing and significant investment capacity giving it the flexibility to execute on investment opportunities as they arise. In 2017 the Weighted Average Cost of Debt was 4.2 per cent with net gearing at 24.4 per cent at year end.

Review of operations

The Consolidated Entity's financial performance for the year ended 31 December 2017 is summarised below.

The net loss after tax for the year ended 31 December 2017 is \$14,222,000 (2016: net profit of \$19,821,000).

	31 Dec 17	31 Dec 16	Change
	\$'000	\$'000	%
Property management fees	38,863	41,227	(6%)
Development management fees and revenue	32,039	69,232	(54%)
Fund management fees	77,206	99,044	(22%)
Management costs recharged	32,334	33,009	(2%)
Proceeds from sale of inventory	10,358	12,532	(17%)
Other income	18,368	48,173	(62%)
Expenses	(203,315)	(231,697)	12%
Profit from continuing operations before income tax expense	5,853	71,520	(92%)
Income tax expense	(6,406)	(22,649)	72%
(Loss) / profit after income tax for continuing operations	(553)	48,871	(101%)
Loss from discontinued operations	(13,669)	(29,050)	53%
Net (loss) / profit for the year	(14,222)	19,821	(172%)

Consolidated Entity result

The decrease in earnings after tax compared with 2016 is mainly attributable to decreases in development management revenue, performance management fees earned for GPT Wholesale Office Fund (GWOF), proceeds from sale of inventory and other income. This is partially offset by a decrease in expenses.

Property management

Retail

The Consolidated Entity is responsible for property management activities across the retail sector. Property management fees decreased to \$28,986,000 in 2017 as a result of lower development leasing fees due to the completion of a redevelopment in 2016 and lower energy income.

Office

The Consolidated Entity is responsible for property management activities across the office sector. Property management fees increased to \$7,920,000 in 2017 as a result of higher membership income from Space & Co.

Logistics

The Consolidated Entity is responsible for property management activities across the logistics sector. Property management fees decreased to \$1,957,000 in 2017 as a result of lower occupancy in the portfolio.

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Development management

Retail

The retail development team has focused on master planning and delivery of development opportunities within its \$1.6 billion development pipeline. In 2017, this includes the delivery of the \$68.0 million repositioning of Wollongong Central. The remix has introduced David Jones to the asset and was completed on schedule in October 2017.

During 2017, retail development contributed \$5.3 million to profit from continuing operations before income tax expense (2016: \$5.8 million) from the sale of residential land parcels at Rouse Hill.

Office

The office development team has focused on progressing a number of repositioning projects at Melbourne Central Tower, CBW and 750 Collins Street in Melbourne and MLC Centre in Sydney. Progress is also being made on the planning approval for a new tower at Darling Park.

Following the successful pre-commitment lease of 9,240sqm to the Rural Fire Service, construction has commenced on a 15,680sqm campus building on the 4 Murray Rose site at Sydney Olympic Park. Completion is expected in late 2018.

The acquisition of an office development site of 2,439sqm in the heart of Parramatta's commercial district settled in March 2017. This site will provide the opportunity to develop an office building of over 28,000sqm, with the development application submitted.

Logistics

In 2017, the logistics development business completed construction of four new logistics facilities totalling 70,000sqm at Seven Hills, Eastern Creek and Huntingwood in Sydney and Wacol in Brisbane. 100 per cent of this space has been leased. At the Huntingwood site, construction has commenced to develop an 11,000sqm warehouse on the adjoining land parcel to the existing building recently leased to IVE Group for 10 years. Planning approval is also in place and earthworks completed on Lot 21 Old Wallgrove Road site at Eastern Creek for a 30,000sqm facility.

Funds Management

GWOF

GWOF's portfolio value increased to \$7.1 billion, up \$0.5 billion compared to 2016. The management fee income earned from GWOF decreased by \$23.0 million as compared to 2016, primarily due to performance fee income of \$28.1 million being earned in 2016 which will not be earned in the future in accordance with the revised Fund Terms. This was partially offset by higher base management fee income of \$5.1 million due to strong upward revaluations across the portfolio, net new asset acquisitions and a higher base management fee structure compared with 2016.

In June 2017, GPT acquired a further 16.3 million securities in GWOF for \$23.2 million, increasing GPT's ownership interest from 24.53 per cent to 24.95 per cent.

GPT Wholesale Shopping Centre Fund (GWSCF)

GWSCF's portfolio value increased to \$4.9 billion, up \$1.1 billion compared to 2016. This was primarily due to the acquisition of an additional 25 per cent interest in September 2017 in Highpoint Shopping Centre for \$660.0 million and Homemaker City, Maribyrnong for \$20.0 million coupled with upward revaluations across the portfolio. Management fee income earned from GWSCF of \$17.3 million has remained stable as compared to 2016.

In May 2017, GPT acquired a further 115.6 million securities in GWSCF for \$116.6 million, increasing GPT's ownership interest from 25.29 per cent to 28.80 per cent.

Fund Terms Review

On 20 February 2017, GWSCF held an Extraordinary General Meeting (EGM) in relation to changes in the terms of GWSCF. At the EGM, investors approved all seven resolutions put to the meeting.

The key changes included:

- removal of the performance fee structure from 1 April 2017;
- introduction of an Investor Representation Committee; and
- other amendments to operational policies and investor rights.

Investor Liquidity Review

On 31 March 2017, the first investor liquidity 10 year review concluded which allowed GWSCF securityholders to notify GPT Funds Management Limited (as Responsible Entity of GWSCF) whether they required liquidity. The outcome of the review was that binding requests for liquidity for a total of 78,474,213 securities, being 2.4 per cent of securities on issue, were submitted. This equated to \$79.8 million at the 31 March 2017 current unit value of \$1.0174. All requests for liquidity were met within the June 2017 quarter.

Management expenses

Management expenses increased to \$73.4 million (2016: \$71.0 million) predominantly caused by lower intercompany income elimination and moderate expense increases. In 2017, GPT achieved an MER of 34 basis points (2016: 37 basis points).

Non-core operations

Joint venture

In October 2017, the Consolidated Entity received a return of capital of \$10.7 million in respect of its 5.3 per cent interest in BGP Holding Plc (BGP). BGP was classified as an available for sale financial asset with a carrying value of \$9.3 million at 31 December 2016. In 2017, following the return of capital the asset has been revalued and derecognised in the Consolidated Statement of Financial Position and \$10.7 million has been recognised in the Consolidated Statement of Comprehensive Income as profit on derecognition of available for sale financial asset.

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Financial position

	31 Dec 17	31 Dec 16	Change
	\$'000	\$'000	%
Current assets	133,715	134,583	(1%)
Non-current assets	266,955	249,851	7%
Total assets	400,670	384,434	4%
Current liabilities	129,304	104,536	24%
Non-current liabilities	115,471	98,080	18%
Total liabilities	244,775	202,616	21%
Net assets	155,895	181,818	(14%)

Total assets remains in line with prior year at \$400,670,000 in 2017 (2016: \$384,434,000).

Total liabilities increased by 21 per cent to \$244,775,000 in 2017 (2016: \$202,616,000) due to increased borrowings to fund inventory development.

Capital management

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

The Consolidated Entity has non-current, related party borrowings from GPT Trust and its subsidiaries. Under Australian Accounting Standards, the loans must be revalued to fair value each reporting period.

Cash flows

The cash balance as at 31 December 2017 increased to \$20,033,000 (2016: \$17,842,000).

Operating activities:

Net cash inflows from operating activities have decreased in 2017 to \$13,943,000 (2016: \$55,605,000) due to the removal of the performance fee structure and reduced funds management fees resulting from the sale of GPT Metro Office Fund (GMF) in 2016.

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

	31 Dec 17	31 Dec 16	Change
	\$'000	\$'000	%
Net (loss) / profit for the year	(14,222)	19,822	(172%)
Non-cash items included in net (loss) / profit	62,207	76,880	(19%)
Capital return from available for sale financial asset	(10,699)	(12,429)	14%
Timing difference	(23,343)	(28,668)	19%
Net cash flows from operating activities	13,943	55,605	(75%)

Investing activities:

Net cash inflows from investing activities have increased to \$6,165,000 in 2017 (2016: \$5,048,000) due to a decline in property, plant and equipment acquisitions during the year.

Financing activities:

Net cash outflows from financing activities have decreased to \$17,917,000 in 2017 (2016: \$73,191,000) due to a decline in the repayment of related party borrowings.

Dividends

The Directors have not declared any dividends for the year ended 31 December 2017 (2016: nil).

Prospects

(i) Group

GPT is well positioned with high quality assets and high levels of occupancy. As at 31 December 2017, the Group's balance sheet is in a strong position, with a smooth, long debt expiry profile and net gearing slightly below the Group's target range of 25 per cent to 35 per cent.

(ii) Retail

Australian retail sales grew 2.7 per cent for the year to 31 December 2017 led by the Eastern states. This has supported the performance of the GPT portfolio with more than 85 per cent of the portfolio located in NSW and VIC. Total centre sales grew 1.7 per cent whilst specialties sales per square metre grew 2.2 per cent.

(iii) Office

The Sydney and Melbourne office markets continued to deliver exceptional growth in net effective rents and asset valuations. The Sydney office market is expected to continue to enjoy favourable leasing conditions as supply remains limited through until 2020. The Melbourne office market is expected to see an elevated level of supply over the next 3 years however absorption is also expected to remain strong keeping vacancy rates low and upward pressure on net effective rents. GPT's office portfolio weighting in the Sydney and Melbourne markets should benefit from these favourable market conditions.

(iv) Logistics

The investment market for institutional grade product has been strong over the past 24 months, with quality assets and portfolios transacting at yields firmer than at previous market peaks. Despite a modest rental growth outlook and increasing supply, assets with long WALE, good rent review

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structures and secure covenants have been well sought after. The medium term outlook is for a stabilisation of yields as this investment activity tapers off, while rents are likely to remain stable. GPT's desire to increase exposure to the sector will see a continued focus on development.

(v) Funds management

GPT has a strong funds management platform which has experienced significant growth over the past five years. The funds management team will continue to actively manage the existing portfolios, with new acquisitions, divestments and developments reviewed based on meeting the relevant investment objectives of the respective funds.

(vi) Guidance for 2018

In 2018, GPT expects to deliver approximately 3 per cent growth in Funds from Operations (FFO) per ordinary security and approximately 3 per cent growth in distribution per ordinary security. Achieving this target is subject to risks detailed in the following section.

Risks

The Board is ultimately accountable for corporate governance and the appropriate management of risk. The Board determines the risk appetite and oversees the risk profile to ensure activities are consistent with GPT's strategy and values. The Sustainability and Risk Committee and the Audit Committee support the Board and are responsible for overseeing and reviewing the effectiveness of the risk management framework.

GPT has an active enterprise-wide risk management framework. Within this framework the Board has adopted a policy setting out the principles, objectives and approach established to maintain GPT's commitment to integrated risk management. GPT recognises the requirement for effective risk management as a core capability and consequently all employees are expected to be managers of risk. GPT's risk management approach incorporates culture, people, processes and systems to enable the organisation to realise potential opportunities whilst managing adverse effects. The approach is consistent with AS/NZS ISO 31000:2009: Risk Management.

Employees, contractors, the Leadership Team, the Sustainability and Risk Committee, the Audit Committee and through them, the Board:

- report on or receive reports on GPT's risk management practices and control systems including the effectiveness of GPT's management of its material business risks;
- promote risk awareness and assess the risk management culture;
- develop and maintain internal specialist risk management expertise;
- identify and assess risks in a timely and consistent manner;
- design, embed and assess the effectiveness of controls; and
- provide transparency and assurance that the risk profile is aligned with GPT's strategy, values and risk appetite.

The risk appetite considers the most significant, material risks to which GPT is exposed. The following table sets out material risks and issues, the potential strategic impact to GPT and the ways in which they may be mitigated:

Risk Category	Risk / Issue	Potential Strategic Impact	Mitigation
Investment mandate	Investments do not perform in line with forecast	<ul style="list-style-type: none"> • Investments deliver lower investment performance than target • Credit rating downgrade 	<ul style="list-style-type: none"> • Formal deal management process • Active asset management including regular forecasting and monitoring of performance • High quality property portfolio • Development program to enhance asset returns • Comprehensive asset insurance program
	Volatility and speed of adverse changes in market conditions, including competition and digital disruption	<ul style="list-style-type: none"> • Investments deliver lower investment returns than target 	<ul style="list-style-type: none"> • Holistic capital management • Large multi asset portfolio • Monitoring of asset concentration • Digital strategy
Development	Developments do not perform in line with forecast	<ul style="list-style-type: none"> • Developments deliver lower returns than target 	<ul style="list-style-type: none"> • Formal development approval and management process
Leasing	Inability to lease assets in line with forecast	<ul style="list-style-type: none"> • Investments deliver lower investment performance than target 	<ul style="list-style-type: none"> • Large and diversified tenant base • High quality property portfolio • Experienced leasing team • Development program to enhance asset returns
Capital management, including macro-economic factors	Re-financing and liquidity risk	<ul style="list-style-type: none"> • Limits ability to meet debt maturities • Constrains future growth • Limits ability to execute strategy • May impact distributions • Failure to continue as a going concern 	<ul style="list-style-type: none"> • Diversity of funding sources and spreading of debt maturities with a long weighted average debt term • Maintaining a minimum liquidity buffer in cash and surplus committed credit facilities for the forward rolling twelve-month period
	Interest rate risk – higher interest rate cost than forecast	<ul style="list-style-type: none"> • Detrimental impact to investment performance • Adversely affect GPT's operating results 	<ul style="list-style-type: none"> • Interest rate exposures are actively hedged
Health and safety	Incidents causing injury to tenants, visitors to the properties, employees and/or contractors	<ul style="list-style-type: none"> • Criminal/civil proceedings and resultant reputation damage • Financial impact of remediation and restoration 	<ul style="list-style-type: none"> • Formalised Health and Safety management system including policies and procedures for managing safety • Training and education of staff and contractors
People	Inability to attract, retain and develop talented people and provide an	<ul style="list-style-type: none"> • Limits the ability to deliver the business objectives and strategy 	<ul style="list-style-type: none"> • Competitive remuneration • Structured development planning • Succession planning and talent management

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	inclusive workplace		<ul style="list-style-type: none"> Diversity & Inclusion Working Group Diversity & Inclusion policies, guidelines and training
Environmental and social sustainability	<p>Inability to continue operating in a manner that does not compromise the health of ecosystems and meets accepted social norms</p> <p>This includes the consideration of climate change, energy (initiatives, security and cost), community and supply chain</p>	<ul style="list-style-type: none"> Limits the ability to deliver the business objectives and strategy Criminal/civil proceedings and resultant reputation damage Financial impact of remediation and restoration 	<ul style="list-style-type: none"> Formalised Environment and Sustainability management system including policies and procedures for managing environmental and social sustainability risks
Information security	<p>Risk of loss of data, breach of confidentiality, regulatory breach (privacy) and/or reputational impact including as a result from a cyber attack</p>	<ul style="list-style-type: none"> Limits the ability to deliver the business objectives and strategy Criminal/civil proceedings and resultant reputation damage Financial impact of remediation and restoration 	<ul style="list-style-type: none"> Technology risk management framework Privacy policy, guidelines and procedures

2. 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 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 also 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 enabled 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 2017 within the required timeframe.

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

3. EVENTS SUBSEQUENT TO REPORTING DATE

On 15 January 2018, the Consolidated Entity sold vacant land at 368 Wembley Road, Berrinba for a total consideration of \$4,100,000.

Other than the above, the Directors are not aware of any matter or circumstances occurring since 31 December 2017 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.

4. DIRECTORS AND SECRETARY

Information on directors

Rob Ferguson – Chairman

Rob joined the Board in May 2009 and is also a member of the Nomination and Remuneration Committee. He brings a wealth of knowledge and experience in finance, investment management and property as well as corporate governance.

Rob currently holds Non-Executive directorships in the following listed and other entities:

- Primary Health Care Limited (since 2009) – Chairman
- Watermark Market Neutral Fund Limited (since 2013)
- Tyro Payments Limited (since 2005)
- Smartward Limited (since 2012)

He was also a Non-Executive Chairman of IMF Bentham Limited from 2004 to January 2015.

As at the date of this report, he holds 207,628 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. He has 29 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 343,264 GPT stapled securities.

Brendan Crotty

Brendan was appointed to the Board in December 2009 and is also a member of the Audit Committee and the Sustainability and Risk Committee. He brings extensive property industry experience to the Board, including 17 years as Managing Director of Australand until his retirement in 2007.

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Brendan is currently a director of Brickworks Limited (since 2008) and Chairman of Cloud FX Pte Ltd. Brendan resigned from his role as Chairman of Western Sydney Parklands Trust on 31 December 2017.

As at the date of this report, he holds 67,092 GPT stapled securities.

Eileen Doyle

Eileen was appointed to the Board in March 2010. She is also the Chair of the Sustainability and Risk Committee and a member of the Nomination and Remuneration and Audit Committees. 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.

Eileen currently holds the position of Non-Executive Director in the following listed and other entities:

- Boral Limited (since 2010)
- Oil Search Limited (since 2016)

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

As at the date of this report, she holds 45,462 GPT stapled securities.

Swe Guan Lim

Swe Guan was appointed to the Board in March 2015 and is also a member of the Audit Committee and the Sustainability and Risk Committee. Swe Guan brings 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), a director of Sunway Berhad in Malaysia (since 2011) and Global Logistics Properties in Singapore (since 2012). Swe Guan is also a member of the Investment Committee of CIMB Trust Cap Advisors.

As at the date of this report, he holds 15,800 GPT stapled securities.

Michelle Somerville

Michelle was appointed to the Board in December 2015 and is also the Chair of the Audit Committee and a member of 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:

- Bank Australia Limited (since 2014)
- Challenger Retirement and Investment Services Ltd (since 2014)
- Save the Children (Australia) (since 2012)
- Down Syndrome Australia (since 2011)

Michelle is also an independent consultant to the UniSuper Ltd Audit, Risk and Compliance Committee since 2015.

As at the date of this report, she holds 16,157 GPT stapled securities.

Gene Tilbrook

Gene was appointed to the Board in May 2010 and is also the Chair of the Nomination and Remuneration 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)
- Woodside Petroleum Limited (since 2014)

Gene was also a Director of listed entities Transpacific Industries Group Limited from 2009 to 2013, Fletcher Building Limited from 2009 to April 2015, and Aurizon Holdings Limited from 2010 to February 2016.

As at the date of this report, he holds 48,546 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.

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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		Nomination and Remuneration Committee		Sustainability and Risk Committee	
	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend	Number of meetings attended	Number of meetings eligible to attend
Chair	Rob Ferguson		Michelle Somerville		Gene Tilbrook		Eileen Doyle	
Rob Ferguson	12	12	-	-	6	6	-	-
Robert Johnston	12	12	-	-	-	-	-	-
Brendan Crotty	12	12	4	4	-	-	4	4
Eileen Doyle	12	12	3	3	6	6	4	4
Swe Guan Lim	12	12	4	4	-	-	4	4
Michelle Somerville	12	12	4	4	-	-	3	3
Gene Tilbrook	12	12	-	-	6	6	-	-

5. 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 at the time of appointment to ensure that they did not impact upon the integrity and objectivity of the auditor;
- the Board's own review conducted in conjunction with the Audit 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 19 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 hundred 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.

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Year ended 31 December 2017

6. REMUNERATION REPORT

The Nomination & 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 communicate the remuneration outcomes with full transparency; demonstrate that the GPT Group's remuneration platform is both market competitive and fair to all stakeholders; and align performance measures to the achievement of GPT's strategic objectives.

Governance

Who are the members of the Committee?	The Committee consists of 3 Non-Executive Directors: <ul style="list-style-type: none"> • Gene Tilbrook (Committee Chairman) • Eileen Doyle • Rob Ferguson
What is the scope of work of the Committee?	The Committee provides advice and recommendations to the Board on: <ul style="list-style-type: none"> • Criteria for selection of Directors; • Nominations for appointment of Directors; • Criteria for reviewing the performance of Directors individually and the GPT Board collectively; • Remuneration policies for Directors and Committee members; • Remuneration amounts for Directors from within the overall Directors fee cap approved by securityholders; • Remuneration policy for the Chief Executive Officer (CEO) and employees; • Incentive plans for the CEO and employees, including exercising discretion where appropriate in determining short term incentive compensation (STIC) and long term incentive compensation (LTI) outcomes; and • Any other related matters regarding executives or the Board¹.
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 2017

Platform component	Key decisions and outcomes
Base pay (Fixed)	<ul style="list-style-type: none"> • Implemented the annual review of employee base pay effective 1 January 2017, with an average increase of 3.6 per cent. • Implemented an average increase of 3.0 per cent in Non-Executive Director base fees effective 1 January 2017. This was the first review of base fees since 1 January 2015.
Short term incentive compensation (STIC)	<ul style="list-style-type: none"> • The Group achieved an EPS growth outcome of 3.0 per cent which generated a STIC pool of \$13.8 million.
Long term incentive (LTI) compensation	<ul style="list-style-type: none"> • The Group achieved a compound annual Total Return² for the 2015-17 period of 14.05 per cent, exceeding the maximum target of 9.75 per cent, and delivered a Total Securityholder Return (TSR)³ of 44.34 per cent which ranked 5th against the comparator group. • As a result, the vesting outcome for the 2015-17 LTI plan was 83.29 per cent of the performance rights for each of the 23 participants in the LTI plan. • Launched the 2017-2019 LTI with two performance measures, Total Return and Relative TSR. • Strengthened the performance hurdle for vesting under the Total Return measure to commence at 8.5 per cent and reach maximum at 10 per cent.
Other employee ownership plans	<ul style="list-style-type: none"> • Continued the General Employee Security Ownership Plan (GESOP) for 137 STIC eligible employees not in the LTI. Under GESOP each participant receives an amount equal to 10 per cent of their STIC (less tax) delivered in GPT securities, which must be held for at least 1 year. • Continued the Broad Based Employee Security Ownership Plan (BBESOP) for 281 employees ineligible for GESOP. Under BBESOP, 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 & governance	<ul style="list-style-type: none"> • Utilised external advice on market compensation benchmarks and practice, prevailing regulatory and governance standards, and drafting of incentive plan documentation from Ernst & Young and Conari Partners⁴.
Diversity	<ul style="list-style-type: none"> • Completed an organisation wide gender pay equity audit and launched GPT's Gender Equality Policy. • GPT's CEO Bob Johnston is a member of the Property Male Champions of Change, and was also appointed a Gender Pay Equity Ambassador by the Workplace Gender Equality Agency (WGEA). • Increased the percentage of females in senior leadership roles from 36.7 per cent at the end of 2016 to 41.4 per cent. • Maintained participation of First Nations employees in the permanent workforce at 1 per cent. • Launched GPT's LGBTI Strategy and established an ally network.

¹ Further information about the role and responsibility of the Committee is set out in its Charter which is available on GPT's website (www.gpt.com.au).

² Total Return is defined as the sum of the change in Net Tangible Assets (NTA) plus distributions over the performance period, divided by the NTA at the beginning of the performance period.

³ 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.

⁴ During 2017, 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.

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GPT's vision and financial goals linked to remuneration structures

GPT's vision & 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 per cent	Generate competitive Relative Total Securityholder Return	Generate competitive EPS growth



Total remuneration components			
<p>Base pay (Fixed)</p> <ul style="list-style-type: none"> • Base level of reward. • Set around Australian market median using external benchmark data (including AON Hewitt and the Financial Institutions Remuneration Group (FIRG)). • Reviewed based on employee's responsibilities, experience, skill and performance. • External & internal relativities considered. 	<p>STIC (variable)</p> <ul style="list-style-type: none"> • Discretionary, at risk, and with aggregate STIC funding aligned to overall Group financial outcomes. • Set around market median for target performance with potential to achieve top quartile for stretch outcomes. • Determined by GPT and individual performance against a mix of balanced scorecard measures which include financial & non-financial measures. • Financial measures include EPS growth, portfolio, fund and/or property level metrics. • Non-financial objectives focus on execution of strategy, delivery of key projects and developments, and people and culture objectives. • Delivered in cash, or (for senior executives), a combination of cash and equity with deferred vesting for 1 year. 	<p>LTI (variable)</p> <ul style="list-style-type: none"> • Discretionary, at risk, and aligned to overall Group financial outcomes. • Set around market median for target performance with potential to achieve top quartile for stretch outcomes. • Vesting determined by GPT performance against Total Return and Relative TSR financial performance. • Relative TSR is measured against ASX200 AREIT Accumulation Index (including GPT). • Assessed over a 3 year performance period, no re-testing. • No value derived unless GPT meets or exceeds defined performance measures. • Delivered in GPT securities to align executive and securityholder interests. 	<p>Other employee ownership plans (variable)</p> <p>GESOP</p> <ul style="list-style-type: none"> • For STIC eligible individuals who are ineligible for LTI. • Equal to 10 per cent of their STIC (less tax) delivered in GPT securities, which must be held for at least 1 year. <p>BBESOP</p> <ul style="list-style-type: none"> • For individuals ineligible for STIC or LTI. • GPT must achieve at least Target outcome on annual EPS growth. • 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).



<p>Attract, retain, motivate and reward high calibre executives to deliver superior performance by providing:</p> <ul style="list-style-type: none"> • Competitive rewards. • Opportunity to achieve incentives beyond base pay based on high performance. 	<p>Align executive rewards to GPT's performance and securityholder interests by:</p> <ul style="list-style-type: none"> • Assessing incentives against financial and non-financial business measures that are aligned with GPT strategy. • Delivering a meaningful component of executive remuneration in the form of equity subject to performance hurdles being achieved.
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GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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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	<p>Bob Johnston's 2017 remuneration arrangements were as follows:</p> <ul style="list-style-type: none"> Fixed pay: \$1,435,000. STIC: \$0 to \$1,793,750 (i.e. 0 per cent to 125 per cent of base pay) based on performance and paid in an equal mix of cash and deferred GPT securities, with the securities component vesting one year after the conclusion of the performance year. LTI: A grant of performance rights with the face value at time of grant of \$2,152,500 (i.e. 150 per cent 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 remuneration 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.

2. Employment terms – Executive KMP

Term	Conditions												
Contract duration	Open ended.												
Termination by Executive	3 months' notice. GPT may elect to make a payment in lieu of notice.												
Remuneration Package	<table border="1"> <thead> <tr> <th>Component</th> <th>Mark Fookes</th> <th>Anastasia Clarke</th> </tr> </thead> <tbody> <tr> <td>Fixed pay</td> <td>\$820,000</td> <td>\$750,000</td> </tr> <tr> <td>STIC⁵</td> <td>\$0 to \$820,000</td> <td>\$0 to \$750,000</td> </tr> <tr> <td>LTI</td> <td>\$0 to \$820,000</td> <td>\$0 to \$750,000</td> </tr> </tbody> </table>	Component	Mark Fookes	Anastasia Clarke	Fixed pay	\$820,000	\$750,000	STIC ⁵	\$0 to \$820,000	\$0 to \$750,000	LTI	\$0 to \$820,000	\$0 to \$750,000
Component	Mark Fookes	Anastasia Clarke											
Fixed pay	\$820,000	\$750,000											
STIC ⁵	\$0 to \$820,000	\$0 to \$750,000											
LTI	\$0 to \$820,000	\$0 to \$750,000											
Termination by Company for cause	No notice requirement or termination benefits (other than accrued entitlements).												
Termination by Company (other)	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.												
Post-employment restraints	12 months non-solicitation of GPT employees.												

3. Compensation mix at maximum STIC and LTI outcomes

Executive KMP	Fixed remuneration	Variable or "at risk" remuneration ⁶	
	Base pay	STI	LTI
Bob Johnston Chief Executive Officer and Managing Director	26.7%	33.3%	40.0%
Anastasia Clarke Chief Financial Officer	33.4%	33.3%	33.3%
Mark Fookes Chief Operating Officer	33.4%	33.3%	33.3%

⁵ The STIC is paid in an equal mix of cash and deferred GPT securities, with the securities component vesting 1 year after the conclusion of the performance year.

⁶ The percentage of each component of total remuneration is calculated with reference to maximum or stretch potential outcomes as set out under Remuneration Package in Tables 1 and 2 above.

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Group Financial Performance & Incentive Outcomes

1. Five year Group financial performance

		2017	2016	2015	2014	2013
Total Securityholder Return (TSR)	%	6.6	10.1	15.4	34.5	4.1
Total Return	%	15.2	15.5	11.5	9.6	8.5
NTA (per security)	\$	5.04	4.59	4.17	3.94	3.79
FFO (per security) ⁷	cents	30.8	29.9	28.3	26.8	25.7
Security price at end of calendar year	\$	5.11	5.03	4.78	4.35	3.40

2. Summary of CEO Objectives and Performance Outcomes

	Performance measure	Reason chosen	Weighting	Performance outcomes
Financial	Earnings per security (EPS) and EPS growth targets.	EPS is a key financial measure of GPT's performance.	70%	The Group delivered EPS of 30.8 cents and EPS growth of 3.0 per cent for 2017. This was consistent with budget but below the stretch objective set by the Board.
Strategy	Strategy objectives focused on exploring growth opportunities for GPT group, as well as development & implementation of strategy plans for each division.	Developing, communicating and implementing GPT's strategy will underpin GPT's medium term activities.	15%	Strategy plans have been developed and updated for each division, approved by the Board, and implementation of plans is on-track. Acquisition opportunities consistent with strategy were targeted throughout the year but the Group was unsuccessful in securing major new opportunities that met the Group's return expectations.
Performance	Operational objectives focused on driving performance of the investment portfolio and on fund term reviews, fund performance, key milestones in the development pipeline, and other projects.	Focus on delivery of investment and fund performance, conversion of the development pipeline and operational efficiency to optimise GPT's performance.	10%	GWSCF performance was a 1 year equity IRR of 12.5 per cent, and fund terms were successfully renewed. GWOFF performance was a 1 year equity IRR of 13.4 per cent, and GPT acquired a further \$23.2m worth of units to take the Group's position to 25 per cent. The expansion of the Rouse Hill Town Centre was delayed due to changing retail market conditions and authority delays have hampered progress on the mixed-use opportunities at Sydney Olympic Park and Camellia. The Darling Park Stage 4 opportunity has been further advanced. \$88.5m of Logistics development projects were completed at Seven Hills, Huntingwood and Wacol, with a further \$126.5m of projects underway. The Sunshine Plaza redevelopment is expected to be completed successfully in the 4 th Quarter of 2018. The Group has also successfully completed the repositioning of Wollongong Central.
People	People objectives centred on increasing employee engagement, driving our diversity and inclusion agenda, and leadership team performance.	Maintaining a high performing executive team and achieving engagement and diversity goals is key to GPT's performance.	5%	Employee engagement has been independently assessed and the Group's sustainable engagement score increased 3 per cent to 82 per cent. Gender diversity remained a focus for 2017 with female representation in senior leadership roles increasing to 41.4 per cent. Aboriginal and Torres Strait Islander representation in the permanent workforce has remained steady at 1 per cent. Strategies have been implemented to ensure that GPT is an inclusive organisation for all including our LGBTI, Aboriginal and Torres Strait Islander employees. The Leadership Team and senior cohort completed Hogan Profiles as part of leadership development activities to help drive business performance.

3. 2017 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. 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 recommended STIC.

For the Group, EPS Growth performance hurdles are set for the year. For 2017, with the Group delivering an EPS Growth outcome of 3.0%, an amount of \$13.8 million was derived for the STIC pool, representing 64 per cent of the aggregate of STIC participants' maximum STIC potential (2016: 69 per

⁷ Represents Realised Operating Income (ROI) until 2013.

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cent). The proportion of the available STIC pool for each individual participant is then determined by the performance of the individual and their business unit/team against Group and individual KPI's.

Final allocation of the STIC pool for 2017 among the balance of the eligible employees⁸ is to occur post the issue of the 2017 Remuneration Report in March 2018. The following table shows the distribution of 2016 STIC outcomes as a percentage of the individuals' maximum STIC opportunity.

2016 STIC Received as a % of STIC potential	0-50%	50-60%	60-70%	70-80%	80-90%	90-100%
Percentage of STIC participants	6.0%	6.9%	31.9%	44.9%	10.3%	0.0%

4. 2017 STIC outcomes by Executive KMP⁹

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) ¹⁰
Bob Johnston	Chief Executive Officer and Managing Director	\$1,142,000	63.67%	36.33%	\$571,000	119,958
Anastasia Clarke	Chief Financial Officer	\$500,000	66.67%	33.33%	\$250,000	52,521
Mark Fookes	Chief Operating Officer	\$540,000	65.85%	34.15%	\$270,000	56,723

5. Group performance measures for LTI Plans

LTI	LTI performance measurement period	Performance measure	Performance measure hurdle	Weighting	Results	Vesting % by performance measure
2015	2015-17	Relative TSR versus comparator group	50 per cent of rights vest at 51st percentile, up to 100 per cent at the 75th percentile (pro rata vesting in between)	50%	TSR of 44.34 per cent. Relative TSR of 5 th out of 11 participants, placing GPT at the 58.96 th percentile.	66.58%
		Total Return	25 per cent of rights vest at 9 per cent Total Return, up to 100 per cent at 9.75 per cent Total Return (pro-rata vesting in between)	50%	Compound TR of 14.05 per cent.	100%
2016	2016-18	Relative TSR versus ASX200 AREIT Accumulation Index (including GPT)	10 per cent of rights vest at Index performance, up to 100 per cent at Index plus 10 per cent (pro rata vesting in between)	50%	N/A	N/A
		Total Return	0 per cent of rights vest at 8 per cent Total Return, up to 100 per cent at 9.5 per cent Total Return (pro-rata vesting in between)	50%	N/A	N/A
2017	2017-19	Relative TSR versus ASX200 AREIT Accumulation Index (including GPT)	10 per cent of rights vest at Index performance, up to 100 per cent at Index plus 10 per cent (pro rata vesting in between)	50%	N/A	N/A
		Total Return	0 per cent of rights vest at 8.5 per cent Total Return, up to 100 per cent at 10.0 per cent Total Return (pro-rata vesting in between)	50%	N/A	N/A

⁸ i.e. excluding the KMP.

⁹ Excluding the impact of movements in the GPT security price on deferred STIC value received.

¹⁰ The number of deferred GPT securities granted are calculated by dividing 50 per cent of the Actual STIC awarded by GPT's Q4 2016 VWAP of \$4.76. The deferred GPT securities will vest subject to service on 31 December 2018.

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6. 2015-2017 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	430,476	358,543	71,933
Anastasia Clarke	Chief Financial Officer	104,981	87,439	17,542
Mark Fookes	Chief Operating Officer	194,747	162,205	32,542

7. LTI outcomes – fair value and maximum value recognised in future years¹¹

Executive KMP	Grant date	Fair value per performance right	Performance rights granted as at 31 Dec 17	Vesting date	Maximum value to be recognised in future years	
Bob Johnston	2017	22 May 2017	\$2.66	452,206	31 Dec 19	\$955,709
Chief Executive Officer and Managing Director	2016	16 May 2016	\$2.96	450,257	31 Dec 18	\$903,120
Anastasia Clarke	2017	21 February 2017	\$2.66	157,563	31 Dec 19	\$293,563
Chief Financial Officer	2016	16 May 2016	\$2.96	139,365	31 Dec 18	\$314,439
Mark Fookes	2017	21 February 2017	\$2.66	172,269	31 Dec 19	\$320,962
Chief Operating Officer	2016	16 May 2016	\$2.96	171,527	31 Dec 18	\$387,004

8. Reported remuneration – Executive KMP – Actual Amounts Received¹²

Executive KMP		Fixed pay			Variable or "at risk" ¹³			Total
		Base pay	Superannuation	Other ¹⁴	STIC	LTI		
Bob Johnston	2017	\$1,415,168	\$19,832	\$3,299	\$1,195,801	\$1,867,471	\$4,501,571	
Chief Executive Officer and Managing Director	2016	\$1,300,883	\$19,462	\$5,677	\$1,143,136	-	\$2,469,158	
Anastasia Clarke	2017	\$730,168	\$19,832	\$2,480	\$523,556	\$455,426	\$1,731,462	
Chief Financial Officer	2016	\$630,538	\$19,462	\$2,334	\$481,107	\$517,555	\$1,650,996	
Mark Fookes	2017	\$800,168	\$19,832	\$4,326	\$565,442	\$844,845	\$2,234,613	
Chief Operating Officer	2016	\$780,538	\$19,462	\$6,999	\$571,233	\$979,499	\$2,357,731	
Total	2017	\$2,945,504	\$59,496	\$10,105	\$2,284,799	\$3,167,742	\$8,467,646	
	2016	\$2,711,959	\$58,386	\$15,010	\$2,195,476	\$1,497,054	\$6,477,885	

¹¹ For the avoidance of doubt, the GPT incentive plans (i.e. STIC and LTI) use face value grants of performance rights based on the volume weighted average security price (VWAP) of GPT securities for specified periods; reference to fair value per performance right is included in this table to comply with accounting standards.

¹² 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.

¹³ Gross dollar values for the equity components have been calculated by multiplying the number of securities by GPT's fourth quarter VWAP for the applicable year; 2017: \$5.2085 (2016: \$4.76).

¹⁴ Other may include death & total/permanent disability insurance premiums, service awards, GPT superannuation plan administration fees, and/or other benefits.

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9. Reported remuneration – Executive KMP – AIFRS Accounting¹⁵

Executive KMP		Fixed pay			Variable or "at risk"			Total
		Base pay	Superannuation	Other	STIC (cash plus accrual) ¹⁶	LTI award accrual ¹⁷	Grant or vesting of non STI or LTI performance rights ¹⁸	
Bob Johnston	2017	\$1,376,680	\$19,832	\$3,299	\$1,219,543	\$1,166,796	-	\$3,786,150
Chief Executive Officer and Managing Director	2016	\$1,390,757	\$19,462	\$5,677	\$936,837	\$694,626	\$64,319	\$3,111,678
Anastasia Clarke	2017	\$775,348	\$19,832	\$2,480	\$569,961	\$382,324	-	\$1,749,945
Chief Financial Officer	2016	\$633,714	\$19,462	\$2,334	\$495,523	\$290,933	-	\$1,441,966
Mark Fookes	2017	\$840,325	\$19,832	\$4,326	\$669,971	\$515,208	-	\$2,049,662
Chief Operating Officer	2016	\$784,411	\$19,462	\$6,999	\$720,099	\$481,598	-	\$2,012,569
Total	2017	\$2,992,353	\$59,496	\$10,105	\$2,459,475	\$2,064,328	-	\$7,585,757
	2016	\$2,808,882	\$58,386	\$15,010	\$2,152,459	\$1,467,157	\$64,319	\$6,566,213

10. GPT security ownership – Executive KMP as at 31 December 2017

Executive KMP	GPT Holdings (start of period) ¹⁹	Sign on performance rights converting in 2017	Employee Security Schemes (ESS)			Purchase/(Sales) during period ²⁰	GPT Holdings (end of period) ²¹	Gross Value of GPT Holdings ²²	MSHR Guideline ²³
			2017 DSTIC	2015-17 LTI	TOTAL ESS for 2017				
Bob Johnston Chief Executive Officer and Managing Director	330,695	12,569	119,958	358,543	478,501	-	821,765	\$4,280,163	\$2,152,500
Anastasia Clarke Chief Financial Officer	486,402	-	52,521	87,439	139,960	(163,777)	462,585	\$2,409,374	\$750,000
Mark Fookes Chief Operating Officer	1,008,431	-	56,723	162,205	218,928	(109,091)	1,118,268	\$5,824,499	\$820,000

11. GPT performance rights – Executive KMP

Executive KMP	Performance rights	
	Performance rights that lapsed in 2017 ²⁴ (# of rights)	Performance rights still on foot at 31/12/17 ²⁵ (# of rights)
Bob Johnston Chief Executive Officer and Managing Director	140,394	902,463
Anastasia Clarke Chief Financial Officer	43,802	296,928
Mark Fookes Chief Operating Officer	61,953	343,796

¹⁵ This table provides a breakdown of remuneration for executive KMP in accordance with statutory requirements and Australian accounting standards.

¹⁶ The accrual accounting valuation of the deferred securities in Mr. Johnston's 2015 STIC are included in the 2016 number as they were approved for issue at the 2016 AGM.

¹⁷ This column records the amount of the fair value of performance rights under the various LTI plans expensed in the relevant financial years, and does not represent actual LTI awards made to executives or the face value grant method.

¹⁸ Grant or vesting of one-off non STI or LTI performance rights includes an accounting valuation of the sign on package for Mr. Johnston.

¹⁹ GPT Holdings (start of period) may include GPT securities obtained as sign on grants (Mr Johnston only), DSTIC up to and including 2016, LTI plans up to and including the 2014-16 LTI plan, and private holdings.

²⁰ 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 2017 calendar year.

²¹ 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.

²² The GPT Holdings (end of period) multiplied by GPT's fourth quarter 2017 VWAP of \$5.2085 to derive a dollar value.

²³ GPT's MSHR guideline requires the CEO to acquire and maintain a holding equal to 150 per cent of base salary. For Leadership Team members the holding requirement is equal to 100 per cent of base salary. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.

²⁴ The sum of performance rights that were awarded to a participant in the 2015 LTI that did not vest at the end of the 2015-2017 performance period, and as a result, lapsed and/or performance rights granted under the 2017 DSTIC that also lapsed.

²⁵ The total of unvested performance rights currently on foot excluding any GPT securities or performance rights that may have lapsed up to 31 December 2017. 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 2016-18 and 2017-19 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.

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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.
 - 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).
 - Non-Executive Director remuneration is composed of three main elements:
 - Main Board fees
 - Committee fees
 - Superannuation contributions at the statutory superannuation guarantee contribution rate.
 - 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.
 - Non-Executive Director remuneration is set by reference to comparable entities listed on the ASX (based on GPT's industry sector and market capitalisation).
 - External independent advice on remuneration levels for Non-Executive Directors is sought on an annual basis. In the event that a review is conducted, the new Board and Committee fees are effective from the 1st of January in the applicable year and advised in the ensuing Remuneration Report.
 - 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^{26,27}

		Board Base Fee	Audit Committee	Sustainability and Risk Committee	Nomination and Remuneration Committee
Chairman	2017	\$380,000	\$36,000	\$30,000	\$30,000
	2016	\$362,500	\$36,000	\$30,000	\$30,000
Members	2017	\$148,000	\$18,000	\$15,000	\$15,000
	2016	\$145,000	\$18,000	\$15,000	\$15,000

2. Reported remuneration – Non-Executive Directors – AIFRS accounting^{28,29}

Non-Executive Director - Current		Fixed pay			Total
		Salary & fees	Superannuation	Other ³⁰	
Rob Ferguson Chairman	2017	\$380,000	\$19,832	-	\$399,832
	2016	\$362,500	\$19,462	-	\$381,962
Brendan Crotty	2017	\$181,000	\$17,195	-	\$198,195
	2016	\$181,333	\$17,227	-	\$198,560
Eileen Doyle	2017	\$203,500	\$19,333	-	\$222,833
	2016	\$190,000	\$18,050	-	\$208,050
Swe Guan Lim	2017	\$181,000	\$17,195	\$287	\$198,482
	2016	\$178,000	\$16,910	\$615	\$195,525
Michelle Somerville	2017	\$192,750	\$18,311	-	\$211,061
	2016	\$174,723	\$16,599	-	\$191,322
Gene Tilbrook	2017	\$178,000	\$16,910	\$380	\$195,290
	2016	\$175,000	\$16,625	\$767	\$192,392
Non-Executive Director – Former					
Anne McDonald ³¹	2017	-	-	-	-
	2016	\$62,422	\$5,930	\$641	\$68,993
Total	2017	\$1,316,250	\$108,776	\$667	\$1,425,693
	2016	\$1,323,978	\$110,803	\$2,023	\$1,436,804

²⁶ 'Chairman' used in this sense may refer to the chairperson of the board or a particular committee.

²⁷ 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.

²⁸ This table provides a breakdown of remuneration for non-executive directors in accordance with statutory requirements and Australian accounting standards.

²⁹ No termination benefits were paid during the financial year.

³⁰ Other may include death & total/permanent disability insurance premiums and/or GPT superannuation plan administration fees.

³¹ Ms. McDonald retired from the GPT Board on 4 May 2016.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Year ended 31 December 2017

3. Non-Executive Director – GPT security holdings

Non-Executive Director	Private holdings (# of securities)		Minimum security holding requirement (MSHR)		
	Balance 31/12/16	Purchase/(Sale)	Balance 31/12/17	Gross value ³²	MSHR guideline ³³
Rob Ferguson	207,628	-	207,628	\$1,081,430	\$380,000
Brendan Crotty	67,092	-	67,092	\$349,449	\$148,000
Eileen Doyle	45,462	-	45,462	\$236,789	\$148,000
Swe Guan Lim	-	15,800	15,800	\$82,294	\$148,000
Michelle Somerville	2,912	13,245	16,157	\$84,154	\$148,000
Gene Tilbrook	48,546	-	48,546	\$252,852	\$148,000

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


 Rob Ferguson
 Chairman
 Sydney
 13 February 2018


 Bob Johnston
 Chief Executive Officer and Managing Director

³² Non-executive directors holdings multiplied by GPT's fourth quarter 2017 VWAP of \$5.2085 to derive a dollar value.

³³ The MSHR for non-executive directors is equal to 100 per cent of base fees. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.



Auditor's Independence Declaration

As lead auditor for the audit of GPT Management Holdings Limited for the year ended 31 December 2017, 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.

A handwritten signature in blue ink, appearing to read 'Matthew Lunn', is written over a light blue horizontal line.

Matthew Lunn
Partner
PricewaterhouseCoopers

Sydney
13 February 2018

PricewaterhouseCoopers, ABN 52 780 433 757
One International Towers Sydney, Watermans Quay, Barangaroo, GPO BOX 2650, SYDNEY NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au
Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Revenue			
Fund management fees		77,206	99,044
Property management fees		38,863	41,227
Development management fees		24,601	15,144
Development revenue		7,438	54,088
Other revenue		331	1,442
Management costs recharged		32,334	33,009
		180,773	243,954
Other income			
Share of after tax profit of equity accounted investments	2(c)	6,237	1,532
Dividend income		-	30,437
Interest revenue		572	1,889
Reversal of prior period impairment expense		525	411
Derecognition of available for sale financial asset		10,699	-
Profit on the sale of other assets		4	12,462
Proceeds from sale of inventory		10,358	12,532
		28,395	59,263
Total revenue and other income		209,168	303,217
Expenses			
Remuneration expenses		123,124	120,972
Cost of sale of inventory		8,976	10,822
Property expenses and outgoings		8,879	8,550
Development expenses		8,237	2,156
Repairs and maintenance		4,597	3,885
Professional fees		5,098	7,800
Depreciation		1,867	2,112
Amortisation		6,041	5,401
Revaluation of financial arrangements		20,164	52,619
Impairment expense		5,859	5,952
Finance costs		2,332	3,277
Other expenses		8,141	8,151
Total expenses		203,315	231,697
Profit before income tax		5,853	71,520
Income tax expense	10(a)	6,406	22,649
(Loss) / profit after income tax for continuing operations		(553)	48,871
Loss from discontinued operations	24(b)	(13,669)	(29,050)
Net (loss) / profit for the year		(14,222)	19,821
Other comprehensive income from discontinued operations			
<i>Items that may be reclassified to profit and loss</i>			
Net foreign exchange translation adjustments	11(b)	30	907
Revaluation of available for sale financial asset	11(b)	(7,125)	458
Total comprehensive income for the year		(21,317)	21,186
Net (loss) / profit attributable to:			
- Members of the Company		(18,776)	15,399
- Non-controlling interest		4,554	4,422
Total comprehensive income attributable to:			
- Members of the Company		(25,871)	16,764
- Non-controlling interest		4,554	4,422
Basic earnings per share attributable to the ordinary equity holders of the Company			
Basic earnings per share (cents per share) from continuing operations	12(a)	(0.28)	2.47
Basic earnings per share (cents per share) - Total	12(a)	(1.04)	0.85

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

As at 31 December 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		20,033	17,842
Loans and receivables	3	100,557	99,055
Inventories	5	11,808	7,304
Prepayments		1,317	1,086
Available for sale financial asset		-	9,296
Total current assets		133,715	134,583
Non-current assets			
Intangible assets	4	30,901	35,256
Property, plant and equipment	6	9,910	14,900
Inventories	5	177,410	128,607
Equity accounted investments	2	21,988	15,752
Loans and receivables	3	-	37,033
Deferred tax assets	10(c)	17,763	7,550
Deferred acquisition costs		1,198	1,852
Other assets	7	7,785	8,901
Total non-current assets		266,955	249,851
Total assets		400,670	384,434
LIABILITIES			
Current liabilities			
Payables	8	62,109	49,449
Current tax liability	10(b)	8,559	-
Provisions	9	38,715	28,690
Borrowings	14	19,921	18,812
Deferred revenue		-	7,585
Total current liabilities		129,304	104,536
Non-current liabilities			
Borrowings	14	99,146	82,426
Provisions	9	10,250	9,217
Other liabilities		6,075	6,437
Total non-current liabilities		115,471	98,080
Total liabilities		244,775	202,616
Net assets		155,895	181,818
EQUITY			
Contributed equity	11(a)	325,703	325,512
Reserves	11(b)	37,803	44,683
Accumulated losses	11(c)	(220,275)	(201,041)
Total equity attributable to Company members		143,231	169,154
Non-controlling interests		12,664	12,664
Total equity		155,895	181,818

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2017

Note	Company members				Non-controlling interests				
	Contributed equity	Reserves	Accumulated losses	Total	Contributed equity	Reserves	Accumulated losses	Total	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity attributable to Company Members									
At 1 January 2016	325,328	43,742	(216,440)	152,630	22,060	-	(9,490)	12,570	165,200
Revaluation of available for sale financial asset	11(b)	-	458	-	458	-	-	-	458
Foreign currency translation reserve	11(b)	-	907	-	907	-	-	-	907
Other comprehensive income for the year		-	1,365	-	1,365	-	-	-	1,365
Profit for the year	11(c)	-	-	15,399	15,399	-	-	4,422	19,821
Total comprehensive income for the year		-	1,365	15,399	16,764	-	-	4,422	21,186
Transactions with Members in their capacity as Members									
Issue of securities	11(a)	184	-	-	184	-	-	-	184
Movement in employee incentive security scheme reserve net of tax	11(b)	-	(424)	-	(424)	-	-	-	(424)
Distributions paid	11(c)	-	-	-	-	-	(4,328)	(4,328)	(4,328)
At 31 December 2016		325,512	44,683	(201,041)	169,154	22,060	-	(9,396)	181,818
Equity attributable to Company Members									
At 1 January 2017		325,512	44,683	(201,041)	169,154	22,060	-	(9,396)	181,818
Revaluation of available for sale financial asset	11(b)	-	983	-	983	-	-	-	983
Derecognition of available for sale financial asset	11(b)	-	(8,108)	-	(8,108)	-	-	-	(8,108)
Foreign currency translation reserve	11(b)	-	30	-	30	-	-	-	30
Other comprehensive income for the year		-	(7,095)	-	(7,095)	-	-	-	(7,095)
(Loss) / profit for the year	11(c)	-	-	(18,776)	(18,776)	-	-	4,554	(14,222)
Total comprehensive income for the year		-	(7,095)	(18,776)	(25,871)	-	-	4,554	(21,317)
Transactions with Members in their capacity as Members									
Issue of securities	11(a)	191	-	-	191	-	-	-	191
Movement in employee incentive security scheme reserve net of tax	11(b)	-	(243)	-	(243)	-	-	-	(243)
Reclassification of employee incentive security scheme reserve to accumulated losses	11(b)	-	458	(458)	-	-	-	-	-
Distributions paid	11(c)	-	-	-	-	-	(4,554)	(4,554)	(4,554)
At 31 December 2017		325,703	37,803	(220,275)	143,231	22,060	-	(9,396)	155,895

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2017

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		149,423	223,472
Payments in the course of operations (inclusive of GST)		(155,245)	(149,121)
Payments for inventories		(51,951)	(48,298)
Proceeds from sale of inventories		10,358	12,532
Receipts from development activities		41,686	16,621
Payments for development activities		(3,904)	-
Income taxes paid		(6,442)	-
Dividend received from available for sale financial asset		30,437	-
Interest received		572	1,892
Finance costs paid		(991)	(1,493)
Net cash inflows from operating activities	16	13,943	55,605
Cash flows from investing activities			
Payments for property, plant and equipment		(1,119)	(2,594)
Payments for intangibles		(4,694)	(4,786)
Proceeds from the sale of property, plant and equipment		1,279	-
Proceeds from the sale of other assets		-	11,177
Proceeds on disposal of equity accounted investment		-	1,251
Capital return from available for sale financial asset		10,699	-
Net cash inflows from investing activities		6,165	5,048
Cash flows from financing activities			
Loan to related parties		-	(29,486)
Proceeds from repayment of related party loans		-	18,697
Repayment of related party borrowings		(35,181)	(100,677)
Proceeds from related party borrowings		16,256	40,995
Proceeds from borrowings		15,705	7,177
Repayments of borrowings		(14,681)	(8,707)
Purchase of securities for the employee incentive scheme		(16)	(1,190)
Net cash outflows from financing activities		(17,917)	(73,191)
Net decrease in cash and cash equivalents		2,191	(12,538)
Cash and cash equivalents at the beginning of the year		17,842	30,380
Cash and cash equivalents at the end of the year		20,033	17,842

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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 26 - 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
Loan receivables	Recoverability	3
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)

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.

Revenue

Rental revenue from investment properties is recognised on a straight line basis over the lease term. An asset is also recognised as a component of investment properties relating to fixed increases in operating lease rentals in future periods. When the Company provides lease incentives to tenants, any costs are recognised on a straight line basis over the lease term. Contingent rental income is recognised as revenue in the period in which it is earned.

Property, development and fund management fee revenue is recognised on an accruals basis, in accordance with the terms of the relevant contracts.

Development revenue is recognised as and when the Company is entitled to the benefits.

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

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

Profit or loss on disposal of an asset is recognised as the difference between the carrying amount and the net proceeds from disposal. Where revenue is obtained from the sale of properties or assets, it is recognised when the significant risks and rewards have transferred to the buyer.

Expenses

Property expenses and outgoings which include rates, taxes and other property outgoings, are recognised on an accruals basis.

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 for the period of time that is required to complete 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 an appropriate capitalisation rate.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

OPERATING ASSETS AND LIABILITIES

2. EQUITY ACCOUNTED INVESTMENTS

	Note	31 Dec 17 \$'000	31 Dec 16 \$'000
Investments in joint ventures and associates	(a)	21,988	15,752
Total equity accounted investments		21,988	15,752

(a) Details of equity accounted investments

Name	Principal Activity	Ownership Interest		31 Dec 17 \$'000	31 Dec 16 \$'000
		2017 %	2016 %		
(i) Joint ventures					
DPT Operator Pty Limited	Managing property	50.00	50.00	89	88
Lendlease GPT (Rouse Hill) Pty Limited ^{(1) (2)}	Property development	50.00	50.00	11,896	5,660
Chullora Trust 1 ⁽³⁾	Property development	-	50.00	-	2
Erskine Park Trust	Property development	50.00	50.00	3	2
Total investment in joint ventures				11,988	5,752
(ii) Associates					
GPT Funds Management Limited	Funds management	100.00	100.00	10,000	10,000
Total investment in associates				10,000	10,000

- (1) 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 Urban Growth and the NSW Department of Planning.
- (2) The Group interest is held through a subsidiary that is 52 per cent owned by GMH and 48 per cent owned by GPT Trust.
- (3) Chullora Trust 1 was wound up on 13 December 2017.

(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 17 \$'000	31 Dec 16 \$'000
Cash and cash equivalents	25,966	26,538
Other assets	18,635	19,540
Property investments and loans	17,408	14,400
Total assets	62,009	60,478
Liabilities	28,180	38,974
Total liabilities	28,180	38,974
Net assets	33,829	21,504
Consolidated entity's share	21,988	15,752

(c) Share of joint ventures and associates' net profits

	31 Dec 17 \$'000	31 Dec 16 \$'000
Revenue	12,478	23,129
Expenses	(3)	(20,068)
Profit before income tax expense	12,475	3,061
Income tax expense	(1)	(1)
	12,474	3,060
Negative net assets not recognised	-	4
Total net profit	12,474	3,064
Share of net profits of joint ventures and associated interests	6,237	1,532

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

(d) Share of joint ventures and associates commitments and contingent liabilities

	31 Dec 17 \$'000	31 Dec 16 \$'000
Capital expenditure commitments	168	1,084
Total joint venture commitments	168	1,084

The capital expenditure commitments in the Consolidated Entity's joint ventures at 31 December 2017 relate to Lendlease GPT (Rouse Hill) Pty Limited (2016: Lendlease GPT (Rouse Hill) Pty Limited).

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
Carrying amount at the beginning of the year	15,752	14,274
Reversal of negative net assets	-	(2)
Share of joint venture entities' net operating profit	6,237	1,532
Distributions received / receivable from joint ventures	(1)	(52)
Carrying amount at the end of the year	21,988	15,752

3. LOANS AND RECEIVABLES

	31 Dec 17 \$'000	31 Dec 16 \$'000
Current assets		
Trade receivables ⁽¹⁾	23,950	20,866
Less: impairment of trade receivables	(12)	(1)
	23,938	20,865
Dividends receivable from other investments	-	30,437
Other debtors	2,104	3,297
Related party receivables ⁽²⁾	37,483	44,456
Loans to related parties	37,032	-
Total current loans and receivables	100,557	99,055
Non-current assets		
Loans to related parties	-	37,033
Total non-current loans and receivables	-	37,033

(1) The trade receivables balance includes amounts receivable from GWOFF and GWSCF. See note 20 for more details on related party transactions.

(2) The related party receivables are from GPT Trust and have been agreed on commercial terms and conditions.

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

	31 Dec 17					Total \$'000
	Not Due	0-30	31-60	61-90	90+	
	\$'000	days \$'000	days \$'000	days \$'000	days \$'000	
Current loans and receivables	37,032	59,767	504	-	3,254	100,557
Non-current loans and receivables	-	-	-	-	-	-
Total loans and receivables	37,032	59,767	504	-	3,254	100,557
	31 Dec 16					Total \$'000
	Not Due	0-30	31-60	61-90	90+	
	\$'000	days \$'000	days \$'000	days \$'000	days \$'000	
Current loans and receivables	-	96,137	584	32	2,302	99,055
Non-current loans and receivables	37,033	-	-	-	-	37,033
Total loans and receivables	37,033	96,137	584	32	2,302	136,088

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance for impairment. All loans and receivables with maturities greater than 12 months after the balance date are classified as non-current assets.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Recoverability of trade receivables

Recoverability of trade receivables is assessed on an ongoing basis. Impairment is recognised in the Consolidated Statement of Comprehensive Income when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial re-organisation and default or delinquency in payments are considered objective evidence of impairment. See note 15(e) for more information on management of credit risk in relation to trade receivables.

The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Debts that are known to be uncollectable are written off when identified.

Recoverability of loan receivables

At the end of each reporting period, the Consolidated Entity assesses whether there is objective evidence that a loan receivable is impaired. The amount of the impairment is measured as the difference between the loan receivable's carrying amount and the present value of estimated future cash flows discounted at the loan receivable's original effective interest rate. The carrying amount of the loan receivable is reduced and the amount of the loss is recognised in the Consolidated Statement of Comprehensive Income. In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

4. INTANGIBLE ASSETS

	Management rights \$'000	IT development and software \$'000	Total \$'000
Cost			
At 1 January 2016	55,817	62,050	117,867
Additions	8	4,918	4,926
Transfers	-	189	189
At 31 December 2016	55,825	67,157	122,982
Additions	-	4,702	4,702
Transfers	-	2,843	2,843
Disposals	-	(11,467)	(11,467)
At 31 December 2017	55,825	63,235	119,060
Accumulated amortisation and impairment			
At 1 January 2016	(44,751)	(37,574)	(82,325)
Amortisation	(343)	(5,058)	(5,401)
At 31 December 2016	(45,094)	(42,632)	(87,726)
Amortisation	(326)	(5,715)	(6,041)
Disposals	-	11,467	11,467
Impairment	-	(5,859)	(5,859)
At 31 December 2017	(45,420)	(42,739)	(88,159)
Carrying amounts			
At 31 December 2016	10,731	24,525	35,256
At 31 December 2017	10,405	20,496	30,901

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, which ranges from 5 to 10 years.

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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

5. INVENTORIES

	31 Dec 17 \$'000	31 Dec 16 \$'000
Development properties	11,808	7,304
Current inventories	11,808	7,304
Development properties	177,410	128,607
Non-current inventories	177,410	128,607
Total inventories	189,218	135,911

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

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.

Net realisable value (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. An impairment expense reversal of \$357,000 has been recognised for the year ended 31 December 2017 (2016: Impairment expense of \$5,952,000).

6. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 17 \$'000	31 Dec 16 \$'000
Computers		
At cost	15,092	15,069
Less: accumulated depreciation and impairment	(11,077)	(10,062)
Total computers	4,015	5,007
Office, fixtures and fittings		
At cost	12,683	15,828
Less: accumulated depreciation and impairment	(6,788)	(5,935)
Total office, fixtures and fittings	5,895	9,893
Total property, plant and equipment	9,910	14,900

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 2016			
Opening carrying value	4,827	9,308	14,135
Additions	1,605	1,463	3,068
Disposals	-	-	-
Transfers	(189)	-	(189)
Depreciation	(1,236)	(878)	(2,114)
At 31 December 2016	5,007	9,893	14,900
At 1 January 2017			
Opening carrying value	5,007	9,893	14,900
Additions	980	81	1,061
Disposals	(1,341)	-	(1,341)
Transfers	383	(3,226)	(2,843)
Depreciation	(1,014)	(853)	(1,867)
At 31 December 2017	4,015	5,895	9,910

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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Depreciation

Items of property, plant and equipment are depreciated on a straight line 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 17 \$'000	31 Dec 16 \$'000
Lease incentive asset	3,493	4,083
Investment in financial asset	4,292	4,818
Total other assets	7,785	8,901

8. PAYABLES

	31 Dec 17 \$'000	31 Dec 16 \$'000
Trade payables ⁽¹⁾	27,813	14,041
Accruals	27,689	28,029
Other payables	6,607	7,379
Total payables	62,109	49,449

(1) Includes a \$10,461,283 distribution payable (2016: \$5,907,633) to General Property Trust (Trust) for the Trust's 48 per cent ownership of GPT Residential (Rouse Hill) Trust of which the Consolidated Entity has control.

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 17 \$'000	31 Dec 16 \$'000
Current provisions		
Employee benefits	29,159	25,608
Other	9,556	3,082
Total current provisions	38,715	28,690
Non-current provisions		
Employee benefits	9,553	8,615
Other	697	602
Total non-current provisions	10,250	9,217

	Employee benefits \$'000	Other \$'000	Total \$'000
As at 1 January 2016	31,395	3,628	35,023
Arising during the year	30,826	772	31,598
Utilised during the year	(27,998)	(716)	(28,714)
As at 31 December 2016	34,223	3,684	37,907
As at 1 January 2017	34,223	3,684	37,907
Arising during the year	29,337	7,143	36,480
Utilised during the year	(24,848)	(574)	(25,422)
As at 31 December 2017	38,712	10,253	48,965

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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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Year ended 31 December 2017

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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

10. TAXATION

(a) Income tax expense

	31 Dec 17 \$'000	31 Dec 16 \$'000
Current income tax expense	17,012	-
Deferred income tax (credit) / expense	(10,606)	22,648
Income tax expense in the Statement of Comprehensive Income	6,406	22,648
Income tax expense / (credit) attributable to:		
Profit from continuing operations	6,406	22,649
Loss from discontinued operations	-	(1)
Aggregate income tax expense	6,406	22,648

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
Profit from continuing operations before income tax expense	5,853	71,520
Loss from discontinued operations before income tax expense	(13,669)	(29,051)
Net (loss) / profit before income tax expense	(7,816)	42,469
Prima facie income tax (credit) / expense at 30% tax rate (2016: 30%)	(2,345)	12,741
Tax effect of amounts not deductible / assessable in calculating income tax expense:		
Prior year adjustments	175	484
Previously unrecognised tax losses	(421)	(13,186)
Revaluation and amortisation	10,028	26,235
<i>Non assessable income:</i>		
Derecognition of available for sale financial asset	(3,210)	-
Other non-assessable income	(2,865)	(3,985)
<i>Other tax adjustments:</i>		
Release of gain from available for sale reserve	2,592	-
Other income	1,480	-
Permanent differences arising from non-deductible amounts	972	359
Income tax expense	6,406	22,648
Add / (less) amounts to reconcile to current tax liability:		
<i>Temporary differences:</i>		
Employee benefits	713	766
Provisions and accruals	(236)	309
Dividends received / (receivable)	9,131	(9,131)
Other deferred tax asset charged to income	2,616	1,167
Movement in reserves	(1,618)	(39)
<i>Opening balance:</i>		
Tax losses transferred from deferred tax asset	(2,011)	-
<i>Tax losses and adjustments:</i>		
Tax losses recognised	-	13,186
Prior tax losses recognised	-	(28,424)
Prior year adjustments	-	(482)
Tax payments made to tax authorities	(6,442)	-
Current tax liability	8,559	-

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

(c) Deferred tax asset

	31 Dec 17 \$'000	31 Dec 16 \$'000
Employee credits	15,449	14,736
Provisions and accruals	2,947	3,183
Other	(633)	(12,380)
Tax losses recognised	-	2,011
Net deferred tax asset	17,763	7,550

Movement in temporary differences during the year

Opening balance at the beginning of the year	7,550	30,240
Credited to the Consolidated Statement of Comprehensive Income	10,606	6,335
Movement in reserves	1,618	(39)
Utilisation of tax losses	(2,011)	(28,986)
Closing balance at the end of the year	17,763	7,550

(d) Effective tax rate

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 below 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 below, 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.

	31 Dec 17 \$'000	31 Dec 16 \$'000
Net (loss) / profit for the year excluding income tax expense	(7,816)	42,469
Add: non-deductible revaluation items	33,657	81,772
Less: equity accounted profits from joint ventures	(6,237)	(1,478)
Profit used to calculate effective tax rate	19,604	122,763
Income tax expense	6,406	22,648
Add: carry forward tax losses recognised	421	13,186
Less: prior year under / overstatements	(175)	(484)
Income tax expense used to calculate effective tax rate	6,652	35,350
Effective tax rate	34%	29%

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 and for unused tax losses.

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 to utilise them.

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.

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NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

CAPITAL STRUCTURE

11. EQUITY AND RESERVES

(a) Contributed equity

	Number	\$'000
Ordinary stapled securities		
Opening securities on issue as at 1 January 2016	1,794,816,529	325,328
Securities issued - Long Term Incentive Plan	2,102,805	100
Securities issued - Deferred Short Term Incentive Plan	978,834	79
Securities issued - Broad Based Employee Security Ownership Plan	57,400	5
Closing securities on issue as at 31 December 2016	1,797,955,568	325,512
Opening securities on issue as at 1 January 2017	1,797,955,568	325,512
Securities issued - Long Term Incentive Plan	2,763,052	109
Securities issued - Deferred Short Term Incentive Plan	855,355	76
Securities issued - Broad Based Employee Security Ownership Plan	54,338	5
Securities issued - Employee Incentive Plan	12,569	1
Closing securities on issue as at 31 December 2017	1,801,640,882	325,703

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	Fair Value Reserve \$'000	Total Reserve \$'000
Balance at 1 January 2016	34,006	3,069	6,667	43,742
Net foreign exchange translation adjustments	907	-	-	907
Employee incentive schemes expense	-	788	-	788
Tax on incentives valued at reporting date	-	157	-	157
Purchase of securities	-	(1,190)	-	(1,190)
Issue of securities	-	(179)	-	(179)
Revaluation of available for sale financial asset, net of tax	-	-	458	458
Balance at 31 December 2016	34,913	2,645	7,125	44,683
Balance at 1 January 2017	34,913	2,645	7,125	44,683
Net foreign exchange translation adjustments	30	-	-	30
Reclassification to accumulated losses	-	458	-	458
Employee incentive schemes expense	-	624	-	624
Tax on incentives valued at reporting date	-	(552)	-	(552)
Purchase of securities	-	(131)	-	(131)
Issue of securities	-	(184)	-	(184)
Revaluation of available for sale financial asset, net of tax	-	-	983	983
Derecognition of available for sale financial asset, net of tax	-	-	(8,108)	(8,108)
Balance at 31 December 2017	34,943	2,860	-	37,803

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.

Fair value reserve

The fair value reserve comprises the cumulative net change in available for sale financial assets until the assets are derecognised or impaired.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

(c) Accumulated losses

	Company \$'000	Non- controlling interest \$'000	Total \$'000
Balance at 1 January 2016	(216,440)	(9,490)	(225,930)
Net profit for the year	15,399	4,422	19,821
Distributions payable	-	(4,328)	(4,328)
Balance at 31 December 2016	(201,041)	(9,396)	(210,437)
Balance at 1 January 2017	(201,041)	(9,396)	(210,437)
Net (loss) / profit for the year	(18,776)	4,554	(14,222)
Reclassification from employee incentive security scheme	(458)	-	(458)
Distributions payable	-	(4,554)	(4,554)
Balance at 31 December 2017	(220,275)	(9,396)	(229,671)

12. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	31 Dec 17 Cents	31 Dec 16 Cents
Basic and diluted earnings per share - (loss) / profit from continuing operations	(0.28)	2.47
Basic and diluted loss per share - loss from discontinued operations	(0.76)	(1.62)
Total basic and diluted earnings per ordinary share	(1.04)	0.85

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
(Loss) / profit reconciliation - basic and diluted	\$'000	\$'000
(Loss) / profit from continuing operations	(5,107)	44,449
Loss from discontinued operations	(13,669)	(29,050)
Profit attributed to external non-controlling interest	4,554	4,422
	(14,222)	19,821

(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:

	Number of shares '000s	Number of shares '000s
WANOS used as denominator in calculating basic earnings per ordinary share	1,801,095	1,797,440
Performance security rights (weighted average basis) ⁽¹⁾	2,410	2,733
WANOS used as denominator in calculating diluted earnings per ordinary share	1,803,505	1,800,173

(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 2017 financial year (2016: nil).

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

14. BORROWINGS

	31 Dec 17		31 Dec 16	
	Carrying amount ⁽¹⁾ \$'000	Fair value ⁽²⁾ \$'000	Carrying amount ⁽¹⁾ \$'000	Fair value ⁽²⁾ \$'000
Current borrowings - secured	19,921	19,980	18,812	18,822
Current borrowings	19,921	19,980	18,812	18,822
Related party borrowings from GPT Trust	99,146	99,625	82,426	82,962
Non-current borrowings	99,146	99,625	82,426	82,962
Total borrowings	119,067	119,605	101,238	101,784

(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 are provided by GPT Trust and its subsidiaries and have been revalued based on an adjusted working capital calculation at 31 December 2017, in accordance with the loan agreement. As a result, a revaluation loss of \$34,097,679 for both continuing (\$20,458,608) and discontinued (\$13,639,071) operations has been recognised in the Consolidated Statement of Comprehensive Income (2016: loss of \$82,134,865). The following borrowings were revalued to nil at 31 December 2017 (Dec 2016: nil):

- Loan facility to GPT Management Holdings Limited was drawn to \$348,797,027 (Dec 2016: \$355,616,562). The facility expires on 31 December 2030.
- Loan Facility to GPT Property Management Ltd was drawn to \$9,922,998 (Dec 2016: \$16,742,534). This facility expires on 31 December 2030.
- Loan facility to GPT International Pty Limited was drawn to \$75,628,519 (Dec 2016: \$82,448,055). This facility expires on 12 June 2032.
- Loan Facility to Voyages Hotels & Resorts (Loan 2) was drawn to \$47,952,860 (Dec 2016: \$54,772,395). This facility expires on 3 January 2035.
- Loan Facility to Voyages Hotels & Resorts (Loan 1) was drawn to \$32,616,333 (Dec 2016: \$39,435,869). 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.

The maturity profile of borrowings is provided below:

	Total facility ⁽¹⁾ \$'000	Used facility ⁽¹⁾ \$'000	Unused facility \$'000
Due within one year	32,220	19,980	12,240
Due between one and five years	80,924	67,577	13,347
Due after five years	559,918	546,487	13,431
	673,062	634,044	39,018
Cash and cash equivalents			20,033
Total financing resources available at the end of the year			59,051

(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.

(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 2017 on interest bearing borrowings together with the net effect of interest rate risk management transactions. This excludes unamortised establishment costs.

	Gross exposure		Net exposure	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Fixed rate interest-bearing borrowings	48,353	32,000	48,353	32,000
Floating rate interest-bearing borrowings	70,715	69,248	70,715	69,248
	119,068	101,248	119,068	101,248

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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.

	2017 (+1%) \$'000	2017 (-1%) \$'000	2016 (+1%) \$'000	2016 (-1%) \$'000
Impact on Statement of Comprehensive Income				
Impact on interest revenue increase / (decrease)	200	(200)	278	(278)
Impact on interest expense (increase) / decrease	(708)	708	(692)	692
	(508)	508	(414)	414

(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 17				Total \$'000
	1 year or less \$'000	Over 1 year to 2 years \$'000	Over 2 years to 5 years \$'000	Over 5 years \$'000	
Liabilities					
Non-derivatives					
Payables	62,109	-	-	-	62,109
Current tax liability	8,559	-	-	-	8,559
Borrowings ⁽¹⁾	19,980	28,353	39,224	546,487	634,044
Projected interest cost on borrowings	7,646	4,804	5,928	5,669	24,047
Total liabilities	98,294	33,157	45,152	552,156	728,759
Less cash and cash equivalents	20,033	-	-	-	20,033
Total liquidity exposure	78,261	33,157	45,152	552,156	708,726

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

	31 Dec 16				Total \$'000
	1 year or less \$'000	Over 1 year to 2 years \$'000	Over 2 years to 5 years \$'000	Over 5 years \$'000	
Liabilities					
Non-derivatives					
Payables	49,449	-	-	-	49,449
Current tax liability	-	-	-	-	-
Borrowings ⁽¹⁾	18,822	-	51,224	580,217	650,263
Projected interest cost on borrowings	5,042	4,817	8,232	7,799	25,890
Total liabilities	73,313	4,817	59,456	588,016	725,602
Less cash and cash equivalents	17,842	-	-	-	17,842
Total liquidity exposure	55,471	4,817	59,456	588,016	707,760

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

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(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 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 2017, 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.

Foreign currency assets and liabilities

The following table shows the Australian dollar equivalents of amounts within the Consolidated Statement of Financial Position which are denominated in foreign currencies.

	Euros		United States Dollars	
	31 Dec 17 \$'000	31 Dec 16 \$'000	31 Dec 17 \$'000	31 Dec 16 \$'000
Assets				
Cash and cash equivalents	1,151	1,152	133	145
Interests in unlisted investments	-	9,296	-	-
	1,151	10,448	133	145
Liabilities				
Other liabilities	304	302	-	-
	304	302	-	-

(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. A provision for doubtful debts is made where collection is deemed uncertain.

The maximum exposure to credit risk as at 31 December 2017 is the carrying amounts of financial assets recognised on the Consolidated Statement of Financial Position. For more information, refer to note 3.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

OTHER DISCLOSURE ITEMS

16. CASH FLOW INFORMATION

(a) Cash flows from operating activities

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

	31 Dec 17 \$'000	31 Dec 16 \$'000
Net (loss) / profit for the year	(14,222)	19,821
Share of after tax profit of equity accounted investments (net of distributions)	(6,237)	(7,602)
Proceeds from the sale of other assets	-	(11,177)
Proceeds from the disposal of equity accounted investment	-	(1,252)
Loss on disposal of assets	62	93
Capital return from available for sale financial asset	(10,699)	-
Impairment expense	5,501	5,773
Non-cash employee benefits - security based payments	21,781	16,552
Fair value movement of investment in Trust	(295)	(361)
Lease incentive amortisation	224	275
Interest capitalised	(10,486)	(2,941)
Deferred interest	(3,252)	-
Amortisation of rental abatement	476	561
Depreciation expense	1,867	2,114
Amortisation expense	6,041	5,401
Amortisation of deferred acquisition costs	654	654
Finance costs	11,394	4,164
Revaluation of financial arrangements	34,098	82,133
Profit on the sale of inventory	(1,382)	(1,710)
Payment for inventories	(51,951)	(48,298)
Proceeds from inventories	10,358	14,242
Dividends receivable	-	(30,437)
Decrease in operating assets	18,534	3,062
Increase in operating liabilities	1,100	4,038
Other	377	500
Net cash inflows from operating activities	13,943	55,605

(b) Net debt reconciliation

Reconciliation of net debt movements during the financial year:

	Cash \$'000	Borrowings due within 1 year \$'000	Borrowings due after 1 year \$'000	Total \$'000
Net debt as at 31 December 2016	17,842	(18,812)	(82,426)	(83,396)
Cash flows	2,191	(1,024)	18,925	20,092
Other non-cash movements	-	(85)	(35,645)	(35,730)
Net debt as at 31 December 2017	20,033	(19,921)	(99,146)	(99,034)

17. COMMITMENTS

(a) Capital expenditure commitments

The capital expenditure commitments at 31 December 2017 were \$1,401,000 (2016: \$717,000). Commitments are arising from purchase of plant and equipment and intangibles, which have been approved but not recognised as liabilities in the Consolidated Statement of Financial Position.

(b) Operating lease commitments

	31 Dec 17 \$'000	31 Dec 16 \$'000
Due within one year	6,430	5,270
Due between one and five years	15,049	15,816
Over five years	5,495	892
Total operating lease commitments	26,974	21,978

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Contracted non-cancellable future minimum lease payments on office premises and equipment expected to be payable but not recognised in the Consolidated Statement of Financial Position.

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 General Property Trust's obligations under the note purchase and guarantee agreements in relation to US Private Placement issuances totalling US\$850,000,000 until July 2032.

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 1 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 3 years or the end of employment.

(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 2017 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 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 3 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 3 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. Fair value is measured at grant date, recognised over the period during which the employees become unconditionally entitled to the rights and is adjusted to reflect market vesting conditions. 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.

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

	2017 LTI	2017 DSTI
Fair value of rights	\$3.04	\$4.86
Security price at valuation date	\$5.11	\$5.11
Total Securityholder Return	6.6%	N/A
Grant dates	21 February 2017	21 February 2017
Expected vesting dates	31 December 2019	31 December 2018
Security Price at the grant date	\$4.88	\$4.88
Expected life	3 years (2 years remaining)	2 years (1 year remaining)
Distribution yield	4.8%	4.8%
Risk free interest rate	2.0%	N/A
Volatility ⁽¹⁾	17.9%	N/A

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

(e) Summary table of all employee security schemes

	Number of rights		Total
	DSTI	LTI	
Rights outstanding at 1 January 2016	1,282,432	8,917,888	10,200,320
Rights granted during 2016	1,313,947	3,024,264	4,338,211
Rights forfeited during 2016	(345,461)	(977,775)	(1,323,236)
Rights converted to GPT stapled securities during 2016 ⁽¹⁾	(1,038,279)	(2,356,843)	(3,395,122)
Rights outstanding at 31 December 2016	1,212,639	8,607,534	9,820,173
Rights outstanding at 1 January 2017	1,212,639	8,607,534	9,820,173
Rights granted during 2017	1,338,498	2,854,675	4,193,173
Rights forfeited during 2017	(357,284)	(323,771)	(681,055)
Rights converted to GPT stapled securities during 2017 ⁽²⁾	(855,355)	(2,792,225)	(3,647,580)
Rights outstanding at 31 December 2017	1,338,498	8,346,213	9,684,711

- (1) Rights under the 2015 DSTI plan were converted to GPT stapled securities on 21 March 2016 and rights under the 2013 LTI Plan were converted to GPT stapled securities on 18 February 2016.
- (2) Rights under the 2016 DSTI plan were converted to GPT stapled securities on 20 March 2017 and rights under the 2014 LTI Plan were converted to GPT stapled securities on 14 February 2017. 12,173 one off grants to employees converted to GPT stapled securities during 2017.

	Number of stapled securities		Total
	GESOP	BBESOP	
Securities outstanding at 1 January 2016	67,728	53,846	121,574
Securities granted during 2016	72,985	57,400	130,385
Securities vested during 2016	(79,957)	(18,485)	(98,442)
Securities outstanding at 31 December 2016	60,756	92,761	153,517
Securities outstanding at 1 January 2017	60,756	92,761	153,517
Securities granted during 2017	53,982	48,480	102,462
Securities vested during 2017	(60,756)	(17,688)	(78,444)
Securities outstanding at 31 December 2017	53,982	123,553	177,535

20. RELATED PARTY TRANSACTIONS

GPT Management Holdings Limited is the ultimate parent entity. The Consolidated Entity is stapled to the General Property Trust (Trust) and the GPT Group (GPT or 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 Trust are set out in note 8 and note 14 respectively.

Key management personnel

Key management personnel compensation was as follows:

	31 Dec 17	31 Dec 16
	\$	\$
Short term employee benefits	6,778,850	6,302,352
Post employment benefits	168,272	169,189
Long term incentive award accrual	2,064,328	1,467,157
Other long term benefits	-	64,319
Total key management personnel compensation	9,011,450	8,003,017

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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

Transactions with related parties

	31 Dec 17	31 Dec 16
	\$	\$
Transactions with related parties other than associates and joint ventures		
Transactions with Trust:		
Revenue and expenses		
Fund management fees from Trust	25,282,904	22,110,728
Property management fees from Trust	14,469,095	13,312,704
Development management fees from Trust	15,650,457	16,046,350
Development revenue received from Trust	-	2,977,130
Management costs recharged from Trust	7,095,234	10,809,144
Property rent and outgoings paid to Trust	(3,661,067)	(5,013,107)
Interest paid to Trust	(11,309,992)	(4,483,075)
Receivables		
Current receivables from Trust	74,515,435	44,455,512
Non-current receivables from Trust	-	37,033,383
Other transactions		
Revaluation of arrangements with Trust - continued and discontinued operations	34,097,679	82,134,865
Purchase of inventory from Trust	2,799,125	39,243,333
Transactions with employees		
Contributions to superannuation funds on behalf of employees	(5,703,954)	(5,766,595)
Transactions with GWOFF, GWSCF & GMF ⁽¹⁾:		
Revenue		
Responsible Entity fees	50,744,061	46,800,456
Performance fee	-	28,121,621
Asset management fees	15,660,782	14,622,388
Development management fees	6,963,854	6,200,389
Directors fees recharged	653,208	904,351
Management costs recharged	5,788,457	5,098,977
Payroll costs recharged	9,396,803	9,065,297
Expense		
Rent expenses	(597,294)	(462,493)
Receivables and payables		
Current receivable outstanding	9,089,187	6,590,602
Current performance fee receivable	-	15,318,650
Current fund management fee receivable	12,926,671	13,026,175

(1) The Consolidated Entity earned management fees in relation to GMF up to 30 September 2016.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

21. AUDITORS REMUNERATION

	31 Dec 17	31 Dec 16
	\$	\$
Audit services		
PricewaterhouseCoopers Australia		
Statutory audit and review of financial reports	345,846	241,129
Total remuneration for audit services	345,846	241,129
Other assurance services		
PricewaterhouseCoopers Australia		
Regulatory and contractually required audits	99,818	68,097
Total remuneration for other assurance service	99,818	68,097
Total remuneration for audit and assurance service	445,664	309,226
Non audit related services		
PricewaterhouseCoopers Australia		
Taxation services	3,500	-
Total remuneration for non audit related services	3,500	-
Total auditor's remuneration	449,164	309,226

22. PARENT ENTITY FINANCIAL INFORMATION

	Parent entity	
	31 Dec 17	31 Dec 16
	\$'000	\$'000
ASSETS		
Total current assets	288,431	267,011
Total non-current assets	117,756	116,667
Total assets	406,187	383,678
LIABILITIES		
Total current liabilities	176,788	241,095
Total non-current liabilities	99,146	10,346
Total liabilities	275,934	251,441
Net assets	130,253	132,237
EQUITY		
Contributed equity	325,703	325,512
Reserves	5,667	12,574
Accumulated losses	(201,117)	(205,849)
Total equity	130,253	132,237
Profit attributable to members of the parent entity	5,190	50,179
Total comprehensive income for the year attributable to members of the parent entity	5,190	50,179
Operating lease commitments		
Due within one year	6,430	5,270
Due between one and five years	15,049	15,816
Over five years	5,495	892
Total operating lease commitments	26,974	21,978

Capital expenditure commitments

The parent entity has \$807,000 capital expenditure commitments at 31 December 2017 (2016: \$403,000).

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, excepted as 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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

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, critical assumptions underlying the valuations and information on sensitivity are disclosed below.

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).

(a) Fair value measurement, valuation techniques and inputs

Class of assets	Fair value hierarchy	Valuation technique	Inputs used to measure fair value	Range of unobservable	
				31 Dec 17	31 Dec 16
Investment in financial assets	Level 2	Market price	Market price	Not applicable - observable	
			Discount for lack of marketability	0%	0 - 5%
Available for sale financial asset	2017: Not applicable 2016: Level 3	Discounted cash flow (DCF)	Discount rate	Not applicable	20%
			Foreign currency exchange rate	Not applicable - observable	

DCF method

The available for sale financial asset has been valued using a discounted cash flow methodology. The expected future cash flow is converted into Australian dollars and discounted over the estimated realisation period.

24. DISCONTINUED OPERATIONS AND AVAILABLE FOR SALE FINANCIAL ASSETS

(a) Discontinued operations

At 31 December 2017, 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 small closed-end funds (a legacy of GPT's ownership of GPT Halverton) managed by Internos Real Investors.

(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 17 \$'000	31 Dec 16 \$'000
Revenue	-	12
Expenses	(13,669)	(29,063)
Loss before income tax	(13,669)	(29,051)
Income tax credit	-	(1)
Loss after income tax of discontinued operations	(13,669)	(29,050)
Net cash outflow from operating activities	13	(306)
Net decrease in cash from discontinued operations	13	(306)

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.

(c) Derecognition of available for sale financial assets

In October 2017, the Consolidated Entity received a return of capital of \$10,639,000 in respect of its 5.3 per cent interest in BGP Holding Plc (BGP). BGP was classified as an available for sale financial asset with a carrying value of \$9,296,000 at 31 December 2016. In 2017, following the return of capital the asset has been derecognised in the Consolidated Statement of Financial Position and \$10,699,000 has been recognised in the Consolidated Statement of Comprehensive Income as profit on derecognition of the available for sale financial asset.

Assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Investment property held for sale will continue to be carried at fair value. Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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Year ended 31 December 2017

25. ACCOUNTING POLICIES

(a) Basis of preparation

The 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 \$39,018,000 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 in the nearest thousand dollars, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

The financial report was approved by the Board of Directors on 13 February 2018.

(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 and expenses and 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 10 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.

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:

(i) Available for sale financial assets

Available for sale financial assets are recognised at fair value. Gains / losses arising from changes in the fair value of the carrying amount of available for sale financial assets are recognised in other comprehensive income.

(ii) Deferred revenue

The Consolidated Entity recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met. The Group bases its estimates taking into consideration the type of transaction and the specifics of each arrangement. Those transactions where the revenue cannot be reliably measured and / or it is not probable that future economic benefit will flow to the entity are recorded as deferred revenue until such time as the transaction meets the recognition criteria.

(iii) 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').

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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Year ended 31 December 2017

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.

(iv) 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 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.

(v) 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 2017

There are no significant changes to the Consolidated Entity's financial performance and position as a result of the adoption of the new and amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 January 2017.

(e) New accounting standards and interpretations issued but not yet adopted

The following standards and amendments to standards are relevant to the Consolidated Entity.

Reference	Description	Application of Standard
AASB 9 <i>Financial Instruments</i>	<p>AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities, introduces expanded disclosure requirements, a new impairment (expected credit loss) model and changes in presentation. When adopted, this could change the classification and measurement of financial assets and financial liabilities.</p> <p>The new expected credit loss model for calculating impairment on financial assets will not have a material impact on the provision for doubtful debts.</p> <p>The new hedging rules align hedge accounting more closely with the reporting entity's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss must now be presented in other comprehensive income.</p> <p>Debt modifications where the impact results in a change in the present value of expected cashflows of less than 10 per cent, taking into account other qualitative factors, will be taken immediately through the Consolidated Statement of Comprehensive Income unless the modifications are reset or entered at market rates. An assessment has been completed on all loans with external parties and it has been determined that this will not have a material impact for the Consolidated Entity, as all previous modifications have been entered at market rates. The impact relating to related party loans is still being assessed.</p> <p>The Consolidated Entity will apply the standard from 1 January 2018.</p>	1 January 2018
AASB 15 <i>Revenue from Contracts with Customers</i>	<p>AASB 15 will replace AASB 118 <i>Revenue</i> and AASB 111 <i>Construction Contracts</i>. It is based on the principle that revenue is recognised when control of a good or service is transferred to a customer. It contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts. It requires reporting entities to provide users of financial statements with more informative and relevant disclosures.</p> <p>The Consolidated Entity will apply the standard from 1 January 2018. It is not expected that the application of this standard will have a material impact on the financial results, however some changes in the presentation of certain revenue items and additional disclosures will be required. The disclosure changes will have a greater impact on the Consolidated Entity from 1 January 2019 as there are certain revenue streams such as outgoings income that will continue to be accounted for under AASB 117 <i>Leases</i> until the adoption of AASB 16 <i>Leases</i> from 1 January 2019.</p>	1 January 2018

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

AASB 16 <i>Leases</i>	<p>AASB 16 will change the way lessees account for leases by eliminating the current dual accounting model which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there will be a single, on-balance sheet accounting model that is similar to the current finance lease accounting. Where the Consolidated Entity is the lessee, this new treatment will result in recognition of a right of use asset along with the associated lease liability in the balance sheet and both a depreciation and interest charge in the Consolidated Statement of Comprehensive Income. In contrast, lessor accounting will remain similar to current practice.</p> <p>The new leasing model requires the recognition of operating leases on the balance sheet. If the Consolidated Entity had adopted the new standard from 1 January 2017, management estimates that the net profit before tax for the 12 months to 31 December 2017 would decrease by approximately \$136,220. Assets at 31 December 2017 would increase by approximately \$12,733,000 and liabilities increase by \$15,068,000.</p>	1 January 2019
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26. EVENTS SUBSEQUENT TO REPORTING DATE

On 15 January 2018, the Consolidated Entity sold vacant land at 368 Wembley Road, Berrinba for a total consideration of \$4,100,000.

Other than the above, the Directors are not aware of any matter or circumstance occurring since 31 December 2017 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 subsequent financial years.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2017

DIRECTORS' DECLARATION

Year ended 31 December 2017

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

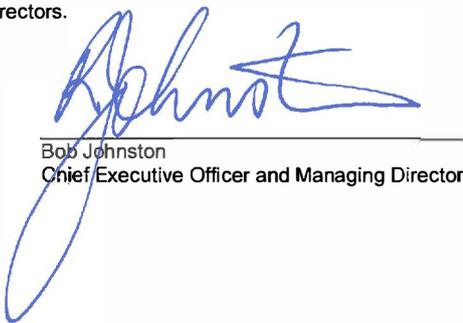
- (a) the consolidated financial statements and notes set out on pages 20 to 45 are in accordance with the *Corporations Act 2001*, including:
 - complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2017 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.



Rob Ferguson
Chairman
GPT Management Holdings Limited



Bob Johnston
Chief Executive Officer and Managing Director

Sydney
13 February 2018



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 2017 and of its financial performance for the year then ended; and
- (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 2017
- 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 consolidated 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 this 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* (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.

PricewaterhouseCoopers, ABN 52 780 433 757

One International Towers Sydney, Watermans Quay, Barangaroo NSW 2000, GPO BOX 2650 Sydney NSW 2001
T: +61 2 8266 0000, F: +61 2 8266 9999, www.pwc.com.au

Level 11, 1PSQ, 169 Macquarie Street, Parramatta NSW 2150, PO Box 1155 Parramatta NSW 2124
T: +61 2 9659 2476, F: +61 2 8266 9999, www.pwc.com.au

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 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
<ul style="list-style-type: none"> For the purpose of our audit we used overall Group materiality of \$2.1 million, which represents approximately 1% of the Group's adjusted total revenue and other income. We applied this threshold, together with qualitative considerations, to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. We chose adjusted 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 GPT Trust which can be 	<ul style="list-style-type: none"> The audit scope covered the consolidated Group which includes GPT Management Holdings Limited and its controlled entities. Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. 	<ul style="list-style-type: none"> Amongst other relevant topics, we communicated the following key audit matters to the Group's Audit Committee: <ul style="list-style-type: none"> Carrying value of inventory Revenue recognition Remuneration expense These are further described in the <i>Key audit matters</i> section of this report.



altered based on the recharge model utilised.

- We selected a 1% threshold based on our professional judgement, noting it is also 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.

<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p><i>Carrying value of inventory</i> <i>\$189.2 million (2016: \$135.9 million) (Refer to note 5, page 27)</i></p> <p>The Group develops a portfolio of mixed use and industrial sites for future sale. This portfolio is classified as inventory by the Group as outlined in Note 5 Inventories.</p> <p>The Group's inventory projects are held at the lower of the cost and net realisable value.</p> <p>We considered the valuation of inventory a key audit matter given the relative size of the balance in the Consolidated Statement of Financial Position and the significant judgement required for each project in estimating future selling prices, costs to complete and selling costs. These judgments may have a material impact on the calculation of the net realisable value (NRV) for each project and therefore in determining whether the carrying amount of a project should be written down (impaired).</p>	<p>For each project, we obtained the Group's latest feasibility models and for each project discussed with management matters such as the overall project strategy, and any changes in key assumptions from the previous reporting period.</p> <p>Using the information gained from these discussions and our prior year knowledge of each project, we used a risk based approach to select a sample of projects on which to perform net realisable value testing. For the sample of selected projects we:</p> <ul style="list-style-type: none"> • Further discussed with management the life cycle of the project, key project risks, changes to project strategy, current and future estimated sales prices, construction progress and costs and new and previous impairments. • Compared the estimated selling prices to market sales data in similar locations or to recent sales in the project. We found these to be consistent. • Compared the forecast costs to complete the project to the relevant construction contracts (if applicable) or the construction contract proposals. We found no material differences. • Compared the carrying value to the NRV as at 31 December 2017. We found the NRV to be higher than the tested cost on all projects selected for testing. • For expenditure recorded in relation to development projects recorded in inventory during the year, we traced a sample of transactions to external invoices and found they were costs that



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="263 589 528 616">Revenue recognition</p> <p data-bbox="263 620 667 647"><i>\$182.1 million (2016: \$243.9 million)</i></p> <p data-bbox="263 680 855 842">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 2017 was comprised of the following six streams:</p> <ul data-bbox="263 860 813 1102" style="list-style-type: none">• Fund management fees (\$77.2 million).• Development revenue (\$8.7 million).• Property management fees (\$38.9 million).• Management costs recharged (\$32.3 million).• Development management fees (\$24.6 million).• Other revenue (\$0.3 million). <p data-bbox="263 1120 850 1227">A proportion of funds management, development revenue, property management and development management fees are earned from other entities in The GPT Group.</p> <p data-bbox="263 1245 844 1352">We considered this a key audit matter due to the size and magnitude of revenue, and due to there being multiple revenue streams increasing the complexity of recognition.</p>	<p data-bbox="924 488 1461 568">had been incurred in relation to the projects and could be capitalised in accordance with Australian Accounting Standards.</p> <p data-bbox="885 586 1476 801">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 over bank account reconciliations. We tested these controls and were satisfied they were adequate for the purpose of our audit.</p> <p data-bbox="885 833 1177 860">Fund management fees</p> <p data-bbox="885 878 1414 931">We tested a sample of fund management fees and performed the following procedures:</p> <ul data-bbox="885 949 1481 1223" style="list-style-type: none">• Inspected the relevant fund constitutions to develop an understanding of the basis upon which fund management fee revenue is earned.• Recalculated the management fees by applying the fee percentage per the fund's constitution to the fund's net assets and tracing the amount to cash receipts.• Agreed fund management fee corporate overhead recharges to board approved budgets. <p data-bbox="885 1267 1161 1294">Development revenue</p> <p data-bbox="885 1312 1476 1585">Through discussion with management and inspection of Board and management committee minutes, we developed an understanding of the nature of the development projects undertaken by the Group during the year. We noted that revenue recorded with respect to these projects related to the sale of completed inventory to third parties and contractual development fees earned during development. Our audit procedures in relation to the development revenue recognised by the Group included:</p> <ul data-bbox="885 1603 1461 1778" style="list-style-type: none">• For revenue from the sale of completed inventory, we agreed the sales revenue to sales contracts, settlement statements, and cash receipts.• For development fee revenue, we agreed the revenue recognised to the contractual terms in the relevant agreements.



Key audit matter

How our audit addressed the key audit matter

Property management fees

For property and leasing management fees and other property management fees we performed the following procedures, amongst others:

- Inspected a sample of agreements to develop an understanding of the basis upon which revenue is earned.
- Recalculated a sample of property and leasing management fees and traced relevant inputs to source documentation.
- Traced a sample of other property management fees to relevant invoices and cash receipts.

Management costs recharged

For management costs recharged during the year, we discussed with management the terms under which costs are recharged by the Group to entities in TheGPT Group. Recharge arrangements are budgeted by the Group and reviewed annually. In relation to recharges:

- We developed an understanding of the budgeting process and obtained evidence of management review of the 2017 budget.
- On a sample basis we reconciled amounts in the management cost recharge models (these models build up to the management reviewed budget) to the general ledger.
- Agreed payroll recharge amounts to the audit procedures performed over the Group payroll expense.

Development management fees

- We developed an understanding of the Group's calculation methodology for charging development management fees. This is based 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 to the calculation back to source data, for example timesheet extracts.



<i>Key audit matter</i>	<i>How our audit addressed the key audit matter</i>
<p data-bbox="263 481 662 548">Remuneration expense <i>\$123.1 million (2016: \$121.0 million)</i></p> <p data-bbox="263 571 853 851">The Group is the employer of all employees who provide services to The GPT Group. The payroll process is administered by a third party under the oversight and approval of the Group. The third party provider is responsible for the processing of all salaries and wages, including overtime, allowances and superannuation and cash bonuses, but not share based payments. Each month a detailed payroll journal is provided electronically by the third party provider and uploaded into the general ledger.</p> <p data-bbox="263 862 853 1086">Management bonuses are not administered by the payroll provider, but are accrued throughout the year based on bonus pools approved by the Board Nomination and Remuneration Committee at the start of the year. Bonuses are subject to performance hurdles and final bonus amounts are subject to approval by the Board Nomination and Remuneration Committee prior to payment.</p> <p data-bbox="263 1097 853 1321">In addition to salaries, wages and bonuses, there are four equity incentive schemes available to eligible employees. These schemes are a mix of short term and long term incentive plans. Each scheme has a number of set vesting conditions, including employee tenure, personal performance metrics, and Group wide performance metrics, that need to be satisfied in order for the shares to vest.</p> <p data-bbox="263 1332 853 1467">Two of the schemes are in the form of performance rights which convert to GPT Group stapled securities. The Group uses fair value techniques and models to calculate the fair value of the rights, which requires a level of judgement and estimation.</p> <p data-bbox="263 1478 853 1568">We considered this a key audit matter due to the magnitude of this balance and the multiple streams of employee costs included in this balance.</p>	<p data-bbox="877 481 1396 537">Our procedures over the remuneration expense included:</p> <ul data-bbox="877 548 1484 1635" style="list-style-type: none"><li data-bbox="877 548 1484 616">• We developed an understanding of the payroll processes and relevant key controls.<li data-bbox="877 616 1484 683">• We tested these key controls and determined they were operating effectively.<li data-bbox="877 683 1484 750">• We reconciled the year to date payroll cost from the payroll system to the general ledger.<li data-bbox="877 750 1484 884">• We compared the total payroll expense and employee benefit provisions for the current year to the prior year and obtained explanations for material movements.<li data-bbox="877 884 1484 1086">• We used IT data analysis tools to examine payroll payments made during the year in order to identify unusual trends and payments that fell outside of our expected ranges. We considered all unusual trends, and for those we deemed higher risk, we traced the costs back to source documentation to investigate explanations provided by management.<li data-bbox="877 1086 1484 1288">• We obtained the Board Nomination and Remuneration Committee approval for the 2017 bonuses and developed an understanding of the key performance metrics influencing the quantum of management bonuses. We tested a sample of bonus payments back to authorisation letters with no significant exceptions noted in our testing.<li data-bbox="877 1288 1484 1444">• For equity incentive scheme expenses, together with PwC valuation experts we tested the key inputs used in the Group's share based payments fair value model, and tested the model for mathematical accuracy.<li data-bbox="877 1444 1484 1568">• We assessed whether the inputs tested above were utilised in the calculation of the Group's share based payments expense and reconciled these balances to the general ledger.<li data-bbox="877 1568 1484 1635">• We agreed a sample of new share grants to the relevant invitation letters.



Other information

The directors of the responsible entity (GPT RE Limited, the responsible entity) of the Group (the directors) are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, including the Directors' report, 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 identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of 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 are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *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 10 to 18 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of the Group for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors 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

Matthew Lunn

Matthew Lunn
Partner

Sydney
13 February 2018

Bianca Buckman
Bianca Buckman
Partner

