



The GPT Group

GPT Management Holdings Limited
ABN: 67 113 510 188

Annual Financial Report
31 December 2018

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

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

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

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GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

Year ended 31 December 2018

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 2018. 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 \$14.0 billion diversified portfolio of high quality Australian retail, office and logistics property assets and together with GPT's funds management platform the Group has \$24.0 billion of property assets under management (AUM).

GPT owns some of Australia's most prominent real estate assets, including Melbourne Central and Highpoint Shopping Centre in Melbourne, Australia Square, 1 Farrer Place and Citigroup Centre in Sydney and One One One Eagle Street in Brisbane.

Listed on the Australian Securities Exchange (ASX) since 1971, GPT is today one of Australia's largest diversified listed property groups with a market capitalisation of approximately \$9.6 billion. GPT is one of the top 50 listed stocks on the ASX by market capitalisation as at 31 December 2018.

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 2018 GPT achieved a Total Return of 15.8 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 2018 GPT achieved an MER of 30 basis points.

GPT focuses on maintaining a strong balance sheet. GPT's gearing as at 31 December 2018 was 26.3 per cent and it has maintained a weighted average debt expiry of greater than 6 years. The average cost of debt for 2018 was 4.2 per cent.

Review of operations

The Consolidated Entity's financial performance for the year ended 31 December 2018 is summarised below.

The net loss after tax for the year ended 31 December 2018 is \$40,962,000 (2017: \$14,222,000).

| | 31 Dec 18 | 31 Dec 17 | Change |
|--|-----------|-----------|--------|
| | \$'000 | \$'000 | % |
| Property management fees | 43,511 | 38,863 | 12% |
| Development management fees and revenue | 21,634 | 32,039 | (32%) |
| Fund management fees | 84,619 | 77,206 | 10% |
| Management costs recharged | 32,059 | 32,334 | (1%) |
| Proceeds from sale of inventory | 28,883 | 10,358 | 179% |
| Other income | 5,688 | 18,368 | (69%) |
| Expenses | (234,159) | (203,315) | 15% |
| (Loss)/profit from continuing operations before income tax expense | (17,765) | 5,853 | (404%) |
| Income tax expense | (7,670) | (6,406) | 20% |
| Loss after income tax for continuing operations | (25,435) | (553) | 4,499% |
| Loss from discontinued operations | (15,527) | (13,669) | 14% |
| Net loss for the year | (40,962) | (14,222) | 188% |

Consolidated Entity result

The increase in the net loss compared with 2017 is mainly attributable to a decrease in development management revenue, the derecognition of available for sale financial assets in 2017, an increase in expenses due to revaluations of financial arrangements and a higher loss from discontinued operations. This is partially offset by an increase in proceeds from the sale of inventory, property management fees and funds management fees.

Property management

Retail

The Consolidated Entity is responsible for property management activities across the retail sector. Property management fees increased to \$29,025,000 in 2018 as a result of higher base and turnover rent and growth from redevelopments, offset by lower energy income.

Office

The Consolidated Entity is responsible for property management activities across the office sector. Property management fees increased to \$12,208,000 in 2018 as a result of higher leasing fees and membership income from Space & Co.

Logistics

The Consolidated Entity is responsible for property management activities across the logistics sector. Property management fees increased to \$2,278,000 in 2018 as a result of property acquisitions and development completions.

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Development management

Retail

During 2018, the focus has been on the delivery of the \$432.0 million Sunshine Plaza retail expansion (GPT share: \$216.0 million). The development has been delayed due to inclement weather resulting in a staged opening in November 2018 and the major launch scheduled for March 2019.

During 2018, the business unit contributed \$7.6 million to GPT's Funds from Operations (FFO) (2017: \$5.3 million).

Office

During the year the 15,800sqm 4 Murray Rose development was successfully completed at Sydney Olympic Park. The asset was delivered on time and within budget and is 81 per cent leased at the year end with the Rural Fire Service taking 59 per cent of the building. The development has delivered a development yield on cost over 7.5 per cent.

Construction has commenced on the new 26,000sqm tower at 32 Smith Street, Parramatta following the acquisition of the site last year. The pre-committed tenant for the new tower is QBE, who will occupy approximately 50 per cent of the building. Practical completion is due in late 2020.

The team is well progressed with a number of repositioning projects in Melbourne at 100 Queen St, Melbourne Central Tower, CBW and 530 Collins Street.

Logistics

During the year the Group continued to successfully develop high quality logistics facilities to increase the portfolio quality and scale. At Huntingwood, the 11,000sqm warehouse reached practical completion in August 2018. The building was leased to Cahill Transport Group. Also, at 50 Old Wallgrove Road in Eastern Creek construction of a 30,000sqm facility was completed in January 2019. By the time of signing this financial report, 100 per cent of the asset has been leased to ACR Supply Partners.

Work continues to develop out and replenish the logistics land bank. This includes the November 2018 acquisition of 8.9 hectares of land in Melbourne which provides the opportunity to develop 48,000sqm of new logistics facilities.

Funds Management

GWOF

GWOF's portfolio value increased to \$7.8 billion, up \$0.7 billion from 2017 and the fund delivered a one year equity IRR of 12.7 per cent. The management fee income earned from GWOF for 2018 increased by \$2.9 million as compared to 2017 due to strong upward revaluations across the portfolio.

As a result of GPT not participating in the Fund's Distribution Reinvestment Plan (DRP) and equity raising in December 2018, GPT's ownership reduces to 23.83 per cent (2017: 24.95 per cent).

GWSCF

The fund delivered a one year equity IRR of 4.8 per cent. GWSCF's portfolio value decreased to \$4.8 billion, down \$0.1 billion from 2017. This was primarily driven by the sale of GWSCF's 83.33 per cent share in Homemaker City, Maribyrnong in December 2018 offset by upward revaluations. Management fee income earned from GWSCF of \$21.9 million has increased by \$4.6 million as compared to 2017. This was due to the acquisition of an additional 25 per cent interest in Highpoint Shopping Centre for \$660.0 million and Homemaker City, Maribyrnong for \$20.0 million in September 2017.

As a result of GPT not participating in the Fund's DRP, GPT's ownership is now 28.57 per cent (2017: 28.80 per cent).

Management costs recharged

Management costs recharged are in line with prior year. During the year GPT's MER (Management Expense Ratio) decreased to 30 basis points (2017: 34 basis points).

Expenses

Expenses increased to \$234,159,000 in 2018 (2017: \$203,315,000) as a result of revaluations of financial arrangements, impairment expense and higher costs related to the sale of inventory.

Financial position

| | 31 Dec 18 | 31 Dec 17 | Change |
|--------------------------|----------------|----------------|--------------|
| | \$'000 | \$'000 | % |
| Current assets | 107,299 | 133,715 | (20%) |
| Non-current assets | 239,101 | 266,955 | (10%) |
| Total assets | 346,400 | 400,670 | (14%) |
| Current liabilities | 70,751 | 129,304 | (45%) |
| Non-current liabilities | 175,759 | 115,471 | 52% |
| Total liabilities | 246,510 | 244,775 | 1% |
| Net assets | 99,890 | 155,895 | (36%) |

Total assets decreased by 14 per cent to \$346,400,000 in 2018 (2017: \$400,670,000) due to reduced trade receivables and loan receivables.

Total liabilities increased by 1 per cent and remains in line with prior year at \$246,510,000 in 2018 (2017: \$244,775,000).

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 General Property Trust (Trust) and its subsidiaries. Under Australian Accounting Standards, the loans are revalued to fair value each reporting period.

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Cash flows

The cash balance as at 31 December 2018 decreased to \$19,259,000 (2017: \$20,033,000).

Operating activities:

Net cash inflows from operating activities have increased in 2018 to \$87,913,000 (2017: \$31,458,000) due to proceeds from related party receivables, offset by income taxes paid in 2018 and dividends received from available for sale financial assets in 2017.

The following table shows the reconciliation from net loss to the cash flow from operating activities:

| | 31 Dec 18 | 31 Dec 17 | Change |
|--|-----------|-----------|--------|
| | \$'000 | \$'000 | % |
| Net loss for the year | (40,962) | (14,222) | 188% |
| Non-cash items included in net loss | 94,419 | 62,207 | 52% |
| Capital return from available for sale financial asset | - | (10,699) | (100%) |
| Timing difference | 34,456 | (5,828) | (691%) |
| Net cash flows from operating activities | 87,913 | 31,458 | 179% |

Investing activities:

Net cash flows from investing activities have decreased to outflows of \$5,371,000 in 2018 (2017: inflows of \$6,165,000) due to the capital return from available for sale financial asset in 2017.

Financing activities:

Net cash outflows from financing activities have increased to \$83,316,000 in 2018 (2017: \$35,432,000) due to repayment of related party borrowings and the purchase of securities for the employee incentive scheme.

Dividends

The Directors have not declared any dividends for the year ended 31 December 2018 (2017: nil).

Prospects

(i) Group

GPT retains a portfolio of high quality assets with high occupancy levels and structured rental growth. As at 31 December 2018, the Group's balance sheet is in a strong position, with a smooth, long debt expiry profile and net gearing at the lower end of the Group's target range of 25 to 35 per cent.

(ii) Retail

GPT's portfolio delivered total centre sales growth of 2.4 per cent whilst specialties sales per square metre grew 2.5 per cent for the 12 months to 31 December 2018. The retail portfolio is well positioned with 85 per cent located in NSW and VIC and in markets with strong population growth. GPT is planning on capturing this growth by investing in assets to offer engaging places for its customers aimed at driving sales productivity, stimulating retailer demand and delivering long term investment returns. Progress continues to be made with mixed use developments at Melbourne Central and Rouse Hill which will be opportunities for GPT to deliver leading examples on how retail assets need to evolve and adapt to meet the changing needs of today's retail consumer.

(iii) Office

GPT is progressing its future development pipeline in Sydney and Melbourne. Engagement continues with authorities for a proposed new office tower and retail precinct of up to 70,000sqm at Darling Park in Sydney. In Melbourne, the Group is seeking a pre-commitment tenant for a proposed 20,000sqm office tower at Melbourne Central.

The Sydney and Melbourne CBD office markets in Australia experienced solid conditions in 2018, with demand being above long-term averages, low levels of net supply and tightening vacancy rates. Sydney and Melbourne reached vacancy rates of 4.1 per cent and 3.75 per cent respectively. These markets should experience ongoing tight vacancy conditions in 2019 with little new supply to come online and ongoing healthy levels of demand.

(iv) Logistics

An improving industrial economy driven by the growth in e-commerce, continues to fuel the demand for warehousing. New entrants and existing retailers seeking to expand into key locations is adding further pressure on the availability of land resulting in double digit increases of land values in prime locations. The investment market remains strong with assets transacting at yields firmer than previous market peaks. The medium term outlook is for Sydney and Melbourne to continue to benefit as preferred locations, given population nodes and strong and improving infrastructure. GPT will seek to increase exposure to the sector through development opportunities and acquisitions.

(v) Funds management

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

(vi) Guidance for 2019

In 2019 GPT expects to deliver 4 per cent growth in FFO per ordinary security and 4 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. The Sustainability and Risk Committee, the Audit Committee and through them, the Board, receive reports on GPT's risk management practices and control systems including the effectiveness of GPT's management of its material business risks.

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 requires 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 31000:2018: Risk Management.

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The key components of the approach include the following:

- The GPT Board, Leadership Team, employees and contractors all understand their risk management accountabilities, promote the risk awareness and risk management culture and apply risk processes to achieve the organisation's objectives;
- Specialist risk management expertise is developed and maintained internally and provides coaching, guidance and advice;
- Risks are identified and assessed in a timely and consistent manner;
- Controls are effectively designed, embedded and assessed;
- Material operational risks and critical controls are monitored and reported to provide transparency and assurance that the risk profile is aligned with GPT's risk appetite, strategy and values; and
- Macro-economic factors that may impact the business are considered and monitored.

The risk appetite set by the Board considers the most significant, material risks to which GPT is exposed and provides the Board with ongoing monitoring of risk exposures which may arise over the short, medium and long term. The following table sets out material operational risks and issues, the potential 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"> • Lower distributions • Lower NTA • Credit ratings downgrade | <ul style="list-style-type: none"> • Robust investment approval process • Formal due diligence process • Active asset management • Experienced internal management capability • Diversified multi-asset portfolio • Limit single asset exposure |
| | Adverse changes in market conditions | <ul style="list-style-type: none"> • Lower distributions • Lower NTA • Credit ratings downgrade | <ul style="list-style-type: none"> • Robust capital allocation process • Diversified multi-asset portfolio • Limit single asset exposure |
| Development | Developments do not perform in line with forecast | <ul style="list-style-type: none"> • Lower distributions • Lower NTA • Credit ratings downgrade | <ul style="list-style-type: none"> • Robust investment approval process • Oversight by Project Control Group (PCG) • Experienced internal management capability • Limit exposure to assets under development • Limit exposure to individual contractors • Minimum leasing pre-commitments prior to construction commencement |
| Leasing | Inability to lease assets in line with forecast | <ul style="list-style-type: none"> • Lower distributions • Lower NTA • Credit ratings downgrade | <ul style="list-style-type: none"> • Large and diversified tenant base • Ongoing investment to maintain quality of property portfolio • Experienced leasing team • Limit single tenant exposure |
| Capital management, including macro-economic factors | Re-financing and liquidity risk | <ul style="list-style-type: none"> • Ability to meet debt maturities • Limits ability to execute strategy • Credit ratings • 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"> • Lower distributions | <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"> • Harm to the tenants, visitors to GPT's properties, employees and/or contractors • Criminal/civic 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 employees and contractors |
| People and culture | <p>Inability to attract, retain and develop talented people and provide an inclusive workplace</p> <p>Inability to maintain a high performing, ethical, and values based workplace</p> <p>This includes the consideration of risk culture and specifically conduct risk</p> | <ul style="list-style-type: none"> • Failure to provide an environment that enables people to excel • Failure to provide a safe working environment free of harassment, bullying and discrimination • Limits the ability to achieve business objectives in line with GPT's values | <ul style="list-style-type: none"> • Background and reference checks on commencement • Whistleblower officer • Annual performance management process setting objectives to promote clarity and accountability • Remedial performance management and disciplinary action • Monitoring of risk culture and conduct risk • Discretionary incentive system and Clawback Policy • Benchmarking and setting competitive remuneration • Development planning • Succession planning • Talent management processes • Promotion of GPT Values • Code of conduct • Conflicts of interest register • Compliance training • Grievance resolution process • Diversity & Inclusion policies, guidelines and training |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

| | | | |
|---|---|--|---|
| Environmental and social sustainability | Inability to operate in a manner that does not compromise the health of ecosystems and meets accepted social norms This includes consideration of climate change, energy intensity, community wellbeing and supply chain integrity | <ul style="list-style-type: none"> • Negative impact to the communities, the environment and the ecosystems that GPT operates in • Limits the ability to deliver the business objectives and strategy • Criminal/civic 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 • Climate related risks and potential financial impacts are assessed within GPT's enterprise-wide risk management framework |
| Information security | Risk of loss of data, breach of confidentiality, regulatory breach (privacy) and/or reputational impact including as a result from a cyber attack | <ul style="list-style-type: none"> • Limits the ability to deliver the business objectives and strategy • Criminal/civic 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 significant breaches of any environmental regulations under the laws of the Commonwealth of Australia or of a State or Territory of Australia and has not incurred any significant liabilities under any such environmental legislation.

In managing the portfolio, GPT monitors and assesses physical and transitional risks arising from climate change. These risks are considered in GPT's investment and portfolio management decisions, as well as decisions to upgrade buildings in anticipation of a low carbon future. GPT discloses emissions data and climate strategy on its website. GPT continues to take an active leadership role in transitioning towards a low carbon future, participating in climate change public policy development through involvement in:

- The Property Council of Australia;
- The Green Building Council of Australia;
- The City of Sydney Better Building Partnership; and
- Demonstration projects partnering with the Australian Renewable Energy Agency.

GPT has achieved a Group-wide reduction of 42 per cent in energy intensity, and a 56 per cent reduction in emissions intensity since 2005. GPT is currently developing its Energy Master Plan which will continue the implementation of energy efficiency programs. GPT will seek to further decouple emissions from its energy requirements through renewable energy purchases, electrification of gas infrastructure and implementation of demand response programs. GPT's comprehensive Climate Change and Energy Policy is available on GPT's website.

GPT is subject to the reporting requirements of the National Greenhouse and Energy Reporting Act 2007 ("NGER Act"). The NGER Act requires GPT to report its annual greenhouse gas emissions and energy use. The measurement period for GPT is 1 July to 30 June each year. GPT has implemented systems and processes for the collection and calculation of the data required which enables submission of its report to the Department of Climate Change and Energy Efficiency within the legislative deadline of 31 October each year. GPT has submitted its report to the Department of Climate Change and Energy Efficiency for the period ended 30 June 2018 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

The Directors are not aware of any matter or circumstances occurring since 31 December 2018 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

Vicki McFadden – Chairman (appointed as a Non-Executive Director 1 March 2018 and Chairman from 2 May 2018)

Vicki was appointed to the Board on 1 March 2018 and is also a member of the Nomination and Remuneration Committee. She brings a broad range of skills and experience to the Group gained during an 18 year career spanning investment banking, corporate finance and corporate law, and through her current and previous board-level positions.

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

- Tabcorp Holdings Limited (since 2017);
- Newcrest Mining Limited (since 2016); and
- Myer Family Investments Pty Limited (since 2011).

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

Vicki was previously Chairman of Eftpos Payments Australia Limited, Chairman of Skilled Group Limited (prior to its acquisition by Programmed Maintenance Services Limited) (Director from 2005 to 2015 and Chairman from 2010 to 2015), a non-executive Director of Leighton Holdings Limited, and a Managing Director of Investment Banking at Merrill Lynch Australia.

As at the date of this report she holds 50,000 GPT stapled securities.

Rob Ferguson – Chairman (retired 2 May 2018)

Rob joined the Board in May 2009 and was 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.

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

- Watermark Market Neutral Fund Limited (since 2013); and
- Smartward Limited (since 2012).

He was also a Non-Executive Chairman of IMF Bentham Limited from 2004 to January 2015, Chairman of Primary Health Care Limited from 2009 to July 2018, and a Director of Tyro Payments Limited from 2005 to July 2018.

As at the date of his retirement he held 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 30 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 821,765 GPT stapled securities.

Brendan Crotty (retired on 9 November 2018)

Brendan was appointed to the Board in December 2009 and was 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.

Brendan is currently the Chairman of the National Housing Finance and Investment Corporation (since 2018), a Director of Brickworks Limited (since 2008) and Chairman of Cloud FX Pte Ltd. Brendan was previously Chairman of Western Sydney Parklands Trust.

As at the date of this retirement he held 67,092 GPT stapled securities.

Eileen Doyle

Eileen was appointed to the Board in March 2010. She is also the Chairman of the Sustainability and Risk Committee and a member of the Audit Committee and Nomination and Remuneration Committee (retired as a member in November 2018). 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); and
- Oil Search Limited (since 2016).

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

As at the date of 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) and a Director of Sunway Berhad in Malaysia (since 2011). Swe Guan is also a member of the Investment Committee of CIMB Trust Cap Advisors and was formerly a Director of Global Logistics Property in Singapore until January 2018.

As at the date of this report, he holds 39,000 GPT stapled securities.

Michelle Somerville

Michelle was appointed to the Board in December 2015 and is also the Chairman of the Audit Committee and a member of the 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); and
- 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 36,663 GPT stapled securities.

Gene Tilbrook

Gene was appointed to the Board in May 2010 and is also the Chairman 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); and
- 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.

Angus McNaughton (appointed 1 November 2018)

Angus was appointed to the Board in November 2018 and is also a member of the Nomination and Remuneration Committee and the Audit Committee. He brings extensive experience in property investment.

Angus was previously the CEO and Managing Director of Vicinity Centres from August 2015 until December 2017. Prior to that time, Angus served as the Managing Director Property for Colonial First State Global Asset Management from 2011, before becoming the CEO and Managing Director of

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ASX-listed Novion Property Group in 2014. Angus led Novion through to the completion of the merger between Novion and Federation Centres, renamed as Vicinity Centres, in June 2015.

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

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

As at the date of this report he does not hold GPT stapled securities.

James Coyne – General Counsel and Company Secretary

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

Lisa Bau – Senior Legal Counsel and Company Secretary

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

Attendance of directors at meetings

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

| | Board | | Audit Committee | | Nomination and Remuneration Committee | | Sustainability and Risk Committee | |
|------------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|---------------------------------------|-----------------------------|
| | Number of meetings eligible to attend | Number of meetings attended | Number of meetings eligible to attend | Number of meetings attended | Number of meetings eligible to attend | Number of meetings attended | Number of meetings eligible to attend | Number of meetings attended |
| Vickki McFadden ¹ | 10 | 10 | - | - | 4 | 4 | - | - |
| Rob Ferguson | 3 | 3 | - | - | 2 | 2 | - | - |
| Robert Johnston ¹ | 11 | 11 | - | - | - | - | - | - |
| Brendan Crotty | 9 | 9 | 4 | 3 | - | - | 3 | 3 |
| Eileen Doyle | 11 | 11 | 5 | 3 | 5 | 5 | 4 | 4 |
| Swe Guan Lim | 11 | 11 | 5 | 5 | - | - | 4 | 4 |
| Angus McNaughton | 3 | 3 | 1 | 1 | 2 | 2 | - | - |
| Michelle Somerville | 11 | 11 | 5 | 5 | - | - | 4 | 4 |
| Gene Tilbrook | 11 | 10 | - | - | 6 | 6 | - | - |

(1) Vickki McFadden and Bob Johnston also attended meetings of the Committees as non-members.

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 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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

6. REMUNERATION REPORT

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

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

Governance

| | |
|--|--|
| Who are the members of the Committee? | <p>The Committee consists of the following three Non-Executive Directors:</p> <ul style="list-style-type: none"> • Gene Tilbrook (Committee Chairman); • Vickki McFadden; and • Angus McNaughton. <p>2018 saw renewal and change on the Committee in line with changes to the Board:</p> <ul style="list-style-type: none"> • Rob Ferguson retired at the GPT AGM on 2 May 2018; • Vickki McFadden joined GPT on 1 March 2018, and was appointed Chairman of GPT from 3 May 2018; • Angus McNaughton joined GPT on 1 November 2018; and • Eileen Doyle stepped down from the Committee on 8 November 2018. |
| What is the scope of work of the Committee? | <p>In 2018 the Committee undertook the following activities on behalf of the Board:</p> <ul style="list-style-type: none"> • Oversee the management of culture; • Implement, monitor, evaluate and oversee GPT's remuneration framework; • Review and approve remuneration levels for the Board, Chief Executive Officer and key management personnel; • Review and approve key performance indicators for the Chief Executive Officer and assess the Chief Executive Officer's performance against those key performance indicators; • Review compliance with legal and regulatory requirements associated with the activities of the Committee; • Oversee the succession planning process for the Board, CEO and Leadership Team; • Implement procedures for the evaluation of the performance of the Board and Board committees; • Approve and oversee the implementation of GPT's diversity & inclusion strategy, initiatives and policies; • Approve and oversee initiatives around talent development and employee engagement; • Any other related matters regarding executives or the Board; and <p>Effective 1 January 2019 a Human Resources and Remuneration Committee (HRRC) was formed with the same membership as noted above. In addition, a Nomination Committee was formed consisting of the full Board¹.</p> |
| Who is included in the Remuneration Report? | <p>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)).</p> |

Committee key decisions and remuneration outcomes in 2018

| 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 2018, with an average increase of 2.57%. • Following benchmarking, implemented an annual review of Non-Executive Director base and committee fees effective 1 January 2018, with an average increase of 3.12% to bring the Non-Executive Directors' remuneration closer to market. |
| Short Term Incentive Compensation (STIC) | <ul style="list-style-type: none"> • Maintained Funds from Operations (FFO) growth per security as the primary measure of Group financial performance. • The Group achieved an FFO growth per security outcome of 3.5% which generated a STIC pool maximum of \$15.4 million. • Maintained a deferred equity component of STIC vesting in one tranche at the end of the year following the conclusion of the performance period. |
| Long Term Incentive (LTI) Compensation | <ul style="list-style-type: none"> • Achieved a compound annual Total Return² for the 2016-18 period of 15.50%, exceeding the benchmark of 9.75% for maximum award, and delivered a Total Securityholder Return (TSR)³ of 32.76% which exceeded the ASX 200 AREIT Accumulation Index (the Index) performance of 26.60%. • As a result, the vesting outcome for the 2016-18 LTI plan was 82.71% of the performance rights for each of the 24 participants in the LTI plan. • Launched the 2018-2020 LTI with two performance measures, Total Return and Relative TSR. • Maintained the same performance hurdles and ranges as the prior year's LTI plan. • Aligned the vesting schedule for both performance measures such that 10% of the performance rights for each measure vest at Threshold performance, with straight line pro-rata vesting through to 100% at the maximum performance level. |
| Other employee ownership plans | <ul style="list-style-type: none"> • Continued the General Employee Security Ownership Plan (GESOP) for 105 STIC eligible employees not in the LTI. Under GESOP each participant receives an amount equal to 10% of their STIC (less tax) delivered in GPT securities, which must be held for at least 1 year. • Continued the Broad Based Employee Security Ownership Plan (BBESOP) for 264 employees ineligible for GESOP. Under BBESOP, subject to GPT achieving the annual FFO growth per security target, participants receive \$1,000 worth of GPT securities that cannot be transferred or sold until the earlier of 3 years from the allocation date or cessation of employment (or \$1,000 cash (less tax) at the election of the individual). |
| Policy and governance | <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 EY and Conari Partners⁴. |

¹ Further information about the role and responsibility of both the HRRC and the Nomination Committees is set out in their respective Charters, which are available on GPT's website (www.gpt.com.au). No additional fees are paid for membership of the Nomination Committee.

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

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 2018, no remuneration recommendations in relation to Key Management Personnel, as defined by Division 1 of Part 1.2 of Chapter 1 of the *Corporations Act 2001*, were made by these or other consultants.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

GPT's vision and financial goals linked to remuneration structures

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



| Total remuneration components | | | |
|--|---|--|--|
| Base pay (Fixed) <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 and internal relativities considered. | STIC (variable) <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 and non-financial measures. • Financial measures include FFO growth per security, and earnings at portfolio, fund and/or property level as relevant. • 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 50% cash and 50% equity with deferred vesting for 1 year. | LTI (variable) <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. | Other employee ownership plans (variable) <p>GESOP</p> <ul style="list-style-type: none"> • For STIC eligible individuals who are ineligible for LTI. • Equal to 10% 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 FFO growth per security. • A grant of \$1,000 worth of GPT securities which must be held until the earlier of 3 years from the allocation date or cessation of employment (or \$1,000 cash (less tax) at the election of the individual). |



| | |
|---|---|
| Attract, retain, motivate and reward high calibre executives to deliver superior performance by providing: <ul style="list-style-type: none"> • Competitive rewards. • Opportunity to achieve incentives beyond base pay based on performance. | Align executive rewards to GPT's performance and securityholder interests by: <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. |
|---|---|

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

Employment Terms

1. Employment terms – Chief Executive Officer and Managing Director

| Term | Conditions |
|----------------------------------|---|
| Contract duration | Open ended. |
| Termination by Executive | 6 months' notice. GPT may elect to make a payment in lieu of notice. |
| Remuneration Package | Bob Johnston's 2018 remuneration arrangements were as follows: Base pay: \$1,460,000. STIC: \$0 to \$1,825,000 (i.e. 0% to 125% of base pay) based on performance, paid in equal proportions of cash 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 \$2,190,000 (i.e. 150% of base pay) with vesting outcomes dependent on performance and continued service, and delivered in restricted GPT securities. |
| Termination by Company for cause | No notice requirement or termination benefits (other than accrued entitlements). |
| Termination by Company (other) | 12 months' notice. Treatment of unvested STIC and LTI will be at the Board's discretion under the terms of the relevant plans and GPT policy. |
| Post-employment restraints | 6 months non-compete, and 12 months non-solicitation of GPT employees. |
| External Directorships | Bob Johnston is a Director on the Boards of the Property Industry Foundation (PIF) and the Property Council of Australia (PCA). He does not receive remuneration for these roles. |
| Clawback Policy | All GPT employees who participate in STIC and LTI are subject to 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>Base pay</td> <td>\$820,000</td> <td>\$800,000</td> </tr> <tr> <td>STIC⁵</td> <td>\$0 to \$820,000</td> <td>\$0 to \$800,000</td> </tr> <tr> <td>LTI</td> <td>\$0 to \$820,000</td> <td>\$0 to \$800,000</td> </tr> </tbody> </table> | Component | Mark Fookes | Anastasia Clarke | Base pay | \$820,000 | \$800,000 | STIC ⁵ | \$0 to \$820,000 | \$0 to \$800,000 | LTI | \$0 to \$820,000 | \$0 to \$800,000 |
| Component | Mark Fookes | Anastasia Clarke | | | | | | | | | | | |
| Base pay | \$820,000 | \$800,000 | | | | | | | | | | | |
| STIC ⁵ | \$0 to \$820,000 | \$0 to \$800,000 | | | | | | | | | | | |
| LTI | \$0 to \$820,000 | \$0 to \$800,000 | | | | | | | | | | | |
| 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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

Group Financial Performance and Incentive Outcomes

1. Five year Group financial performance

| | | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------|------|------|------|------|------|
| Total Securityholder Return (TSR) | % | 7.0 | 6.6 | 10.1 | 15.4 | 34.5 |
| Total Return | % | 15.8 | 15.2 | 15.5 | 11.5 | 9.6 |
| NTA (per security) | \$ | 5.58 | 5.04 | 4.59 | 4.17 | 3.94 |
| FFO (per security) | cents | 31.8 | 30.8 | 29.9 | 28.3 | 26.8 |
| Security price at end of calendar year | \$ | 5.34 | 5.11 | 5.03 | 4.78 | 4.35 |

2. Summary of CEO Objectives and Performance Outcomes

| | Performance measure | Reason chosen | Weighting | Performance outcomes |
|-------------|--|--|-----------|--|
| Financial | FFO growth per security targets. | FFO growth per security is a key financial measure of GPT's performance. | 70% | The Group delivered FFO growth per security of 3.5% in 2018. This was in excess of the Group's target of 3% growth but below the stretch objective set by the Board. |
| Strategy | Strategy objectives focused on exploring growth opportunities for GPT group, as well as development and implementation of strategic plans for each division. | Developing, communicating and implementing GPT's strategy will underpin GPT's medium term activities. | 10% | Management continued to execute on strategies approved by the board. This included securing new acquisitions in the Office and Logistics sector and advancing plans for development opportunities at Melbourne Central. Management did not achieve a successful outcome of the sale of Wollongong Central and progress on unlocking opportunities at Sydney Olympic Park and Camellia was behind target. |
| Performance | Operational objectives focused on driving performance of the investment portfolio, 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. | 15% | GPT's Total Shareholder Return was 7.03% versus 3.95% for the ASX AREIT 200 Accumulation Index. Occupancy remains high across the Group's portfolio and like for like Net Operating Income (NOI) growth of 3.8% was achieved, however the like for like NOI growth for the retail portfolio was below target. Office lease expiries in 2020 and 2021 continued to be a focus for management however stretch target objectives were not achieved. Established the Operational Excellence PCG and delivered business efficiencies through the use of technology, streamlined decision making, and enhanced asset management support to the funds management platform. Pre-commitment for the 32 Smith Street development was achieved and Development Approval conditions satisfied allowing the commencement of the project, with the development on plan to deliver targeted returns. Progress was made on the Sunshine Plaza development but final completion has been delayed to the end of Q1 2019. |
| People | People objectives centred on increasing employee engagement, driving GPT's diversity and inclusion agenda, and operational excellence. | Maintaining a high performing executive team and achieving engagement and diversity goals is key to GPT's performance. | 5% | Achieved Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality citation in February 2018 recognising GPT's performance as among the best employers. Increased the percentage of females in the top 50% of the business (measured by remuneration) from 42.24% at the end of 2017 to 45.65%. Launched GPT's second Reconciliation Action Plan (RAP), maintained participation of First Nations employees in the permanent workforce at 1%, and signed a 10 year agreement with Career Trackers to expand its internship program. Increased GPT's score in the Australian Workplace Equality Index (AWEI) survey from 42 to 79, 16 points higher than the property sector average. |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

3. STIC Framework

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

The 2018 STIC outcomes for the KMP are in Table 4, below, while STIC determination for the balance of the eligible employees⁷ is to occur in March 2019, which is post the issue of the 2018 Remuneration Report. For the Group, FFO growth per security performance hurdles are set for the year. For 2017, the Group delivered an FFO growth per security outcome of 3.0 per cent and generated a maximum amount of \$13.8 million for the STIC pool, representing 64 per cent of the aggregate of STIC participants' maximum STIC potential, of which \$13.4 million was ultimately distributed to employees based on the performance of the individual and their business unit/team against Group and individual KPI's.

For the Group, FFO growth per security performance hurdles are set for the year. For 2017, the Group delivered an FFO growth per security outcome of 3.0 per cent and generated a maximum amount of \$13.8 million for the STIC pool, representing 64 per cent of the aggregate of STIC participants' maximum STIC potential, of which \$13.4 million was ultimately distributed to employees based on the performance of the individual and their business unit/team against Group and individual KPI's.

The following table shows the distribution of the 2017 STIC outcomes as a percentage of the individual's maximum STIC opportunity.

| 2017 STIC Received as a % of Maximum STIC potential | 0-50% | 50-60% | 60-70% | 70-80% | 80-90% | 90-100% |
|---|-------|--------|--------|--------|--------|---------|
| Percentage of STIC participants | 3.79% | 11.36% | 71.97% | 8.33% | 4.55% | 0.0% |

4. 2018 STIC outcomes by Executive KMP⁸

| 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) ⁹ |
|------------------|---|---------------------|--|-----------------------------------|----------------|---|
| Bob Johnston | Chief Executive Officer and Managing Director | \$1,227,000 | 67.23% | 32.77% | \$613,500 | 117,788 |
| Anastasia Clarke | Chief Financial Officer | \$575,000 | 71.88% | 28.12% | \$287,500 | 55,198 |
| Mark Fookes | Chief Operating Officer | \$575,000 | 70.12% | 29.88% | \$287,500 | 55,198 |

5. Group performance measures for LTI Plans currently relevant

| LTI | LTI performance measurement period | Performance measure | Performance measure hurdle | Weighting | Results | Vesting % by performance measure | Overall Plan Vesting Outcome (%) |
|------|------------------------------------|---|---|-----------|---|----------------------------------|----------------------------------|
| 2016 | 2016-18 | Relative TSR versus ASX200 AREIT Accumulation Index (including GPT) (the Index) | 10% of rights vest at Index performance, up to 100% at Index plus 10% (pro rata vesting in between) | 50% | GPT's TSR performance exceeded the Index by 6.16% | 65.41% | 82.71% |
| | | Total Return | 0% of rights vest at 8% Total Return, up to 100% at 9.5% Total Return (pro-rata vesting in between) | 50% | 15.50% | 100.00% | |
| 2017 | 2017-19 | Relative TSR versus ASX200 AREIT Accumulation Index (including GPT) | 10% of rights vest at Index performance, up to 100% at Index plus 10% (pro rata vesting in between) | 50% | N/A | N/A | N/A |
| | | Total Return | 0% of rights vest at 8.5% Total Return, up to 100% at 10.0% Total Return (pro-rata vesting in between) | 50% | N/A | N/A | |
| 2018 | 2018-20 | Relative TSR versus ASX200 AREIT Accumulation Index (including GPT) | 10% of rights vest at Index performance, up to 100% at Index plus 10% (pro rata vesting in between) | 50% | N/A | N/A | N/A |
| | | Total Return | 10% of rights vest at 8.5% Total Return, up to 100% at 10.0% Total Return (pro-rata vesting in between) | 50% | N/A | N/A | |

⁷ i.e. excluding the KMP.

⁸ Excluding the impact of movements in the GPT security price on deferred STIC value received.

⁹ The number of deferred GPT securities granted are calculated by dividing 50% of the Actual STIC awarded by GPT's Q4 2017 Volume Weighted Average Security Price (VWAP) of \$5.2085. The deferred GPT securities will vest subject to service on 31 December 2019.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

6. 2016-2018 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 | 450,257 | 372,385 | 77,872 |
| Anastasia Clarke | Chief Financial Officer | 139,365 | 115,262 | 24,103 |
| Mark Fookes | Chief Operating Officer | 171,527 | 141,862 | 29,665 |

7. LTI outcomes – fair value and maximum value recognised in future years¹⁰

| Executive KMP | Grant date | Fair value per performance right | Performance rights granted as at 31 Dec 18 | Vesting date | Maximum value to be recognised in future years |
|---|-----------------------|----------------------------------|--|--------------|--|
| Bob Johnston | 2018 10 May 2018 | \$2.62 | 420,467 | 31 Dec 20 | \$1,222,712 |
| Chief Executive Officer and Managing Director | 2017 22 May 2017 | \$2.66 | 452,206 | 31 Dec 19 | \$955,709 |
| Anastasia Clarke | 2018 29 March 2018 | \$2.62 | 153,595 | 31 Dec 20 | \$438,169 |
| Chief Financial Officer | 2017 21 February 2017 | \$2.66 | 157,563 | 31 Dec 19 | \$293,563 |
| Mark Fookes | 2018 29 March 2018 | \$2.62 | 157,435 | 31 Dec 20 | \$459,154 |
| Chief Operating Officer | 2017 21 February 2017 | \$2.66 | 172,269 | 31 Dec 19 | \$320,962 |

8. Reported remuneration – Executive KMP – Actual Amounts Received¹¹

| Executive KMP | | Fixed pay | | Variable or "at risk" ¹² | | | Total |
|---|-------------|--------------------|-----------------|-------------------------------------|--------------------|--------------------|--------------------|
| | | Base pay | Superannuation | Other ¹³ | STIC | LTI | |
| Bob Johnston | 2018 | \$1,439,710 | \$20,290 | \$8,354 | \$1,237,259 | \$1,972,002 | \$4,677,615 |
| Chief Executive Officer and Managing Director | 2017 | \$1,415,168 | \$19,832 | \$3,299 | \$1,195,801 | \$1,867,471 | \$4,501,571 |
| Anastasia Clarke | 2018 | \$779,710 | \$20,290 | \$5,275 | \$579,807 | \$610,381 | \$1,995,463 |
| Chief Financial Officer | 2017 | \$730,168 | \$19,832 | \$2,480 | \$523,556 | \$455,426 | \$1,731,462 |
| Mark Fookes | 2018 | \$799,710 | \$20,290 | \$10,585 | \$579,807 | \$751,244 | \$2,161,636 |
| Chief Operating Officer | 2017 | \$800,168 | \$19,832 | \$4,326 | \$565,442 | \$844,845 | \$2,234,613 |
| Total | 2018 | \$3,019,130 | \$60,870 | \$24,214 | \$2,396,873 | \$3,333,627 | \$8,834,714 |
| | 2017 | \$2,945,504 | \$59,496 | \$10,105 | \$2,284,799 | \$3,167,742 | \$8,467,646 |

9. Reported remuneration – Executive KMP – AIFRS Accounting¹⁴

| Executive KMP | | Fixed pay | | Variable or "at risk" | | | Total |
|---|-------------|--------------------|-----------------|-----------------------|--------------------------|---------------------------------|--------------------|
| | | Base pay | Superannuation | Other | STIC (cash plus accrual) | LTI award accrual ¹⁵ | |
| Bob Johnston | 2018 | \$1,520,636 | \$20,290 | \$8,354 | \$1,210,570 | \$1,168,869 | \$3,928,719 |
| Chief Executive Officer and Managing Director | 2017 | \$1,376,680 | \$19,832 | \$3,299 | \$1,219,543 | \$1,166,796 | \$3,786,150 |
| Anastasia Clarke | 2018 | \$794,923 | \$20,290 | \$5,275 | \$548,232 | \$414,417 | \$1,783,137 |
| Chief Financial Officer | 2017 | \$775,348 | \$19,832 | \$2,480 | \$569,961 | \$382,324 | \$1,749,945 |
| Mark Fookes | 2018 | \$825,109 | \$20,290 | \$10,585 | \$559,068 | \$467,160 | \$1,882,212 |
| Chief Operating Officer | 2017 | \$840,325 | \$19,832 | \$4,326 | \$669,971 | \$515,208 | \$2,049,662 |
| Total | 2018 | \$3,140,668 | \$60,870 | \$24,214 | \$2,317,870 | \$2,050,446 | \$7,594,068 |
| | 2017 | \$2,992,353 | \$59,496 | \$10,105 | \$2,459,475 | \$2,064,328 | \$7,585,757 |

¹⁰ For the avoidance of doubt, the GPT incentive plans (i.e. STIC and LTI) use face value grants of performance rights based on the VWAP of GPT securities for specified periods; reference to fair value per performance right is included in this table to comply with accounting standards.

¹¹ 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.

¹² 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; 2018: \$5,2956 (2017: \$5,2085).

¹³ Other may include death and total/permanent disability insurance premiums, service awards, GPT superannuation plan administration fees, professional memberships, subscriptions and/or other benefits.

¹⁴ This table provides a breakdown of remuneration for executive KMP in accordance with statutory requirements and Australian accounting standards.

¹⁵ 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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

10. GPT security ownership – Executive KMP as at 31 December 2018

| Executive KMP | GPT Holdings (start of period) ¹⁶ | Employee Security Schemes (ESS) | | | Purchase/(Sales) during period ¹⁷ | GPT Holdings (end of period) ¹⁸ | Gross Value of GPT Holdings ¹⁹ | MSHR Guideline ²⁰ |
|--|--|---------------------------------|-------------|--------------------|--|--|---|------------------------------|
| | | 2018 DSTIC | 2016-18 LTI | TOTAL ESS for 2018 | | | | |
| Bob Johnston Chief Executive Officer and Managing Director | 821,765 | 117,788 | 372,385 | 490,173 | - | 1,311,938 | \$6,947,499 | \$2,190,000 |
| Anastasia Clarke Chief Financial Officer | 462,585 | 55,198 | 115,262 | 170,460 | (223,839) | 409,206 | \$2,166,991 | \$800,000 |
| Mark Fookes Chief Operating Officer | 1,118,268 | 55,198 | 141,862 | 197,060 | (156,013) | 1,159,315 | \$6,139,269 | \$820,000 |

11. GPT performance rights – Executive KMP

| Executive KMP | Performance rights | |
|--|---|---|
| | Performance rights that lapsed in 2018 ²¹ (# of rights) | Performance rights still on foot at 31/12/18 ²² (# of rights) |
| Bob Johnston Chief Executive Officer and Managing Director | 135,278 | 872,673 |
| Anastasia Clarke Chief Financial Officer | 45,702 | 311,158 |
| Mark Fookes Chief Operating Officer | 53,184 | 329,704 |

Remuneration – Non-Executive Directors

| What are the key elements of the Non-Executive Director Remuneration Policy? | |
|--|---|
| | <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Main Board fees; Committee fees; and 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 (having regard to GPT's industry sector and market capitalisation). External independent advice on remuneration levels for Non-Executive Directors is sought annually. In the event that a review results in changes, the new Board and Committee fees are effective from 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. |

¹⁶ GPT Holdings (start of period) include GPT securities obtained as sign on grants (Mr Johnston only), DSTIC up to and including 2017, LTI plans up to and including the 2015-17 LTI plan, and private holdings.

¹⁷ 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 2018 calendar year.

¹⁸ GPT Holdings (end of period) is the sum of GPT Holdings (start of the period) plus DSTIC and LTI securities obtained under ESS and adjusted for any purchases or sales during the period. Note that some of the securities do not become actual holdings for the individual until after the conclusion of the performance year when Group results are known which allow the conversion of performance rights under the various plan terms.

¹⁹ The GPT Holdings (end of period) multiplied by GPT's fourth quarter 2018 VWAP of \$5.2956 to derive a dollar value.

²⁰ GPT's Minimum Security Holding Requirement (MSHR) guideline requires the CEO to acquire and maintain a holding equal to 150% of base salary. For other KMP and Leadership Team members the holding requirement is equal to 100% of base salary. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.

²¹ The sum of performance rights that were awarded to a participant in the 2016-2018 LTI that did not vest at the end of the 2016-2018 performance period, and as a result, lapsed and/or performance rights granted under the 2018 DSTIC that also lapsed.

²² The total of unvested performance rights currently on foot excluding any GPT securities or performance rights that may have lapsed up to 31 December 2018. 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 2017-19 and 2018-20 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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

1. Board and committee fees^{23,24}

| | | Board Base Fee | Audit Committee | Sustainability and Risk Committee | Nomination and Remuneration Committee |
|----------|------|----------------|-----------------|-----------------------------------|---------------------------------------|
| Chairman | 2018 | \$400,000 | \$37,000 | \$31,000 | \$31,000 |
| | 2017 | \$380,000 | \$36,000 | \$30,000 | \$30,000 |
| Members | 2018 | \$152,000 | \$18,500 | \$15,500 | \$15,500 |
| | 2017 | \$148,000 | \$18,000 | \$15,000 | \$15,000 |

2. Reported remuneration – Non-Executive Directors – AIFRS accounting^{25,26}

| Non-Executive Director - Current | | Fixed pay | | | Total |
|--|------|-----------------|----------------|---------------------|-------------|
| | | Salary and fees | Superannuation | Other ²⁷ | |
| Vicki McFadden ²⁸ Chairman | 2018 | \$289,851 | \$16,481 | - | \$306,332 |
| | 2017 | - | - | - | - |
| Eileen Doyle | 2018 | \$214,596 | \$20,094 | - | \$234,690 |
| | 2017 | \$203,500 | \$19,333 | - | \$222,833 |
| Swe Guan Lim | 2018 | \$186,000 | \$17,670 | \$908 | \$204,578 |
| | 2017 | \$181,000 | \$17,195 | \$287 | \$198,482 |
| Angus McNaughton ²⁹ | 2018 | \$27,917 | \$2,652 | - | \$30,569 |
| | 2017 | - | - | - | - |
| Michelle Somerville | 2018 | \$204,500 | \$19,428 | - | \$223,928 |
| | 2017 | \$192,750 | \$18,311 | - | \$211,061 |
| Gene Tilbrook | 2018 | \$183,000 | \$17,385 | \$1,103 | \$201,488 |
| | 2017 | \$178,000 | \$16,910 | \$380 | \$195,290 |
| Non-Executive Director – Former | | | | | |
| Rob Ferguson ³⁰ | 2018 | \$137,949 | \$8,617 | - | \$146,566 |
| | 2017 | \$380,000 | \$19,832 | - | \$399,832 |
| Brendan Crotty ³¹ | 2018 | \$159,292 | \$15,133 | - | \$174,425 |
| | 2017 | \$181,000 | \$17,195 | - | \$198,195 |
| Total | 2018 | \$1,403,105 | \$117,460 | \$2,011 | \$1,522,576 |
| | 2017 | \$1,316,250 | \$108,776 | \$667 | \$1,425,693 |

3. Non-Executive Director – GPT security holdings

| Non-Executive Director | Private holdings (# of securities) | | | Minimum security holding requirement (MSHR) | |
|------------------------|---------------------------------------|-----------------|---------------------|--|------------------------------|
| | Balance 31/12/17 | Purchase/(Sale) | Balance 31/12/18 | Gross value ³² | MSHR guideline ³³ |
| Vicki McFadden | - | 50,000 | 50,000 | \$264,780 | \$400,000 |
| Eileen Doyle | 45,462 | - | 45,462 | \$240,749 | \$152,000 |
| Swe Guan Lim | 15,800 | 23,200 | 39,000 | \$206,528 | \$152,000 |
| Angus McNaughton | - | - | - | - | \$152,000 |
| Michelle Somerville | 16,157 | 20,506 | 36,663 | \$194,153 | \$152,000 |
| Gene Tilbrook | 48,546 | - | 48,546 | \$257,080 | \$152,000 |

²³ 'Chairman' used in this sense may refer to the chairperson of the board or a particular committee.

²⁴ 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.

²⁵ This table provides a breakdown of remuneration for Non-Executive Directors in accordance with statutory requirements and Australian accounting standards.

²⁶ No termination benefits were paid during the financial year.

²⁷ Other may include death and total/permanent disability insurance premiums and/or GPT superannuation plan administration fees.

²⁸ Ms McFadden joined GPT on 1 March 2018, and was appointed Chairman of GPT from 3 May 2018.

²⁹ Mr McNaughton joined GPT on 1 November 2018.

³⁰ Mr Ferguson retired from the GPT Board on 2 May 2018.

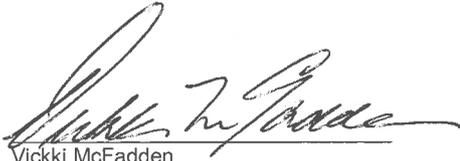
³¹ Mr Crotty retired from the GPT Board on 8 November 2018.

³² Non-Executive Directors holdings multiplied by GPT's fourth quarter 2018 VWAP of \$5.2956 to derive a dollar value.

³³ The MSHR for Non-Executive Directors is equal to 100% of base fees. Individuals have four years from commencement of employment to achieve the MSHR before it is assessed for the first time.

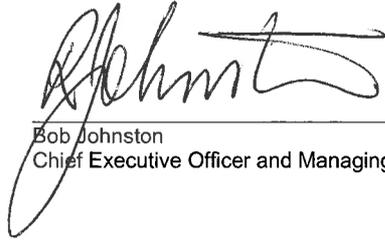
GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

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



Vicki McFadden
Chairman

Sydney
11 February 2019



Bob Johnston
Chief Executive Officer and Managing Director



Auditor's Independence Declaration

As lead auditor for the audit of GPT Management Holdings Limited for the year ended 31 December 2018, 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 black ink, appearing to read 'S. Horlin', with a long horizontal flourish extending to the right.

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
11 February 2019

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GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2018

| | Note | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|-------|---------------------|---------------------|
| Revenue | | | |
| Fund management fees | | 84,619 | 77,206 |
| Property management fees | | 43,511 | 38,863 |
| Development management fees | | 21,634 | 24,601 |
| Development revenue | | - | 7,438 |
| Other revenue | | - | 331 |
| Management costs recharged | | 32,059 | 32,334 |
| | | 181,823 | 180,773 |
| Other income | | | |
| Share of after tax profit of equity accounted investments | 2(c) | 5,003 | 6,237 |
| Interest revenue | | 685 | 572 |
| Profit on the sale of other assets | | - | 4 |
| Proceeds from sale of inventory | | 28,883 | 10,358 |
| Derecognition of available for sale financial asset | | - | 10,699 |
| | | 34,571 | 27,870 |
| Total revenue and other income | | 216,394 | 208,643 |
| Expenses | | | |
| Remuneration expenses | | 121,435 | 123,124 |
| Cost of sale of inventory | | 27,214 | 8,976 |
| Property expenses and outgoings | | 9,014 | 8,879 |
| Development expenses | | - | 8,237 |
| Repairs and maintenance | | 4,762 | 4,597 |
| Professional fees | | 5,766 | 5,098 |
| Depreciation | | 2,014 | 1,867 |
| Amortisation | | 5,205 | 6,041 |
| Revaluation of financial arrangements | | 42,018 | 20,164 |
| Impairment expense | | 11,256 | 5,334 |
| Finance costs | | 1,263 | 2,332 |
| Other expenses | | 4,212 | 8,141 |
| Total expenses | | 234,159 | 202,790 |
| (Loss)/profit before income tax | | (17,765) | 5,853 |
| Income tax expense | 10(a) | 7,670 | 6,406 |
| Loss after income tax from continuing operations | | (25,435) | (553) |
| Loss from discontinued operations | 24(b) | (15,527) | (13,669) |
| Net loss for the year | | (40,962) | (14,222) |
| Other comprehensive income from discontinued operations | | | |
| <i>Items that may be reclassified to profit and loss</i> | | | |
| Net foreign exchange translation adjustments | 11(b) | (16,770) | 30 |
| Revaluation of available for sale financial asset | 11(b) | - | (7,125) |
| Total comprehensive loss for the year | | (57,732) | (21,317) |
| Net (loss)/profit attributable to: | | | |
| - Members of the Company | | (41,524) | (18,776) |
| - Non-controlling interest | | 562 | 4,554 |
| Total comprehensive (loss)/income attributable to: | | (58,294) | (25,871) |
| - Members of the Company | | (58,294) | (25,871) |
| - Non-controlling interest | | 562 | 4,554 |
| Earnings per share attributable to the ordinary equity holders of the Company | | | |
| Basic and diluted earnings per share (cents per share) from continuing operations | 12(a) | (1.44) | (0.28) |
| Basic and diluted earnings per share (cents per share) - Total | 12(a) | (2.30) | (1.04) |

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

| | Note | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|---|-------|---------------------|---------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | | 19,259 | 20,033 |
| Trade receivables | 3 | 45,476 | 62,895 |
| Other receivables | | 4,507 | 630 |
| Loan receivables | 20 | - | 37,032 |
| Current tax asset | 10(b) | 763 | - |
| Inventories | 5 | 34,654 | 11,808 |
| Prepayments | | 2,640 | 1,317 |
| Total current assets | | 107,299 | 133,715 |
| Non-current assets | | | |
| Intangible assets | 4 | 26,799 | 30,901 |
| Property, plant and equipment | 6 | 12,661 | 9,910 |
| Inventories | 5 | 143,618 | 177,410 |
| Equity accounted investments | 2 | 21,423 | 21,988 |
| Deferred tax asset | 10(c) | 21,091 | 17,763 |
| Deferred acquisition costs | | 545 | 1,198 |
| Other assets | 7 | 12,964 | 7,785 |
| Total non-current assets | | 239,101 | 266,955 |
| Total assets | | 346,400 | 400,670 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Payables | 8 | 36,889 | 62,109 |
| Current tax liability | 10(b) | - | 8,559 |
| Provisions | 9 | 33,862 | 38,715 |
| Borrowings | 14 | - | 19,921 |
| Total current liabilities | | 70,751 | 129,304 |
| Non-current liabilities | | | |
| Borrowings | 14 | 154,618 | 99,146 |
| Provisions | 9 | 13,602 | 10,250 |
| Other liabilities | | 7,539 | 6,075 |
| Total non-current liabilities | | 175,759 | 115,471 |
| Total liabilities | | 246,510 | 244,775 |
| Net assets | | 99,890 | 155,895 |
| EQUITY | | | |
| Contributed equity | 11(a) | 325,855 | 325,703 |
| Reserves | 11(b) | 19,794 | 37,803 |
| Accumulated losses | 11(c) | (261,799) | (220,275) |
| Total equity attributable to Company members | | 83,850 | 143,231 |
| Non-controlling interests | | 16,040 | 12,664 |
| Total equity | | 99,890 | 155,895 |

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 2018

| Note | Company | | | | 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 2017 | | | | | | | | | | |
| | 325,512 | 44,683 | (201,041) | 169,154 | 22,060 | - | (9,396) | 12,664 | 181,818 | |
| Revaluation of available for sale financial asset net of tax | 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 | 11(c) | - | - | - | - | - | - | (4,554) | (4,554) | |
| At 31 December 2017 | | 325,703 | 37,803 | (220,275) | 143,231 | 22,060 | - | (9,396) | 12,664 | 155,895 |
| Equity attributable to Company Members | | | | | | | | | | |
| At 1 January 2018 | | | | | | | | | | |
| | 325,703 | 37,803 | (220,275) | 143,231 | 22,060 | - | (9,396) | 12,664 | 155,895 | |
| Foreign currency translation reserve | 11(b) | - | (16,770) | - | (16,770) | - | - | - | (16,770) | |
| Other comprehensive income for the year | | - | (16,770) | - | (16,770) | - | - | - | (16,770) | |
| (Loss)/profit for the year | 11(c) | - | - | (41,524) | (41,524) | - | - | 562 | (40,962) | |
| Total comprehensive income for the year | | - | (16,770) | (41,524) | (58,294) | - | - | 562 | (57,732) | |
| Transactions with Members in their capacity as Members | | | | | | | | | | |
| Return of capital | | - | - | - | - | (888) | - | - | (888) | |
| Issue of securities | 11(a) | 152 | - | - | 152 | - | - | - | 152 | |
| Movement in employee incentive security scheme reserve net of tax | 11(b) | - | (1,239) | - | (1,239) | - | - | - | (1,239) | |
| Distributions | 11(c) | - | - | - | - | - | - | 3,702 | 3,702 | |
| At 31 December 2018 | | 325,855 | 19,794 | (261,799) | 83,850 | 21,172 | - | (5,132) | 16,040 | 99,890 |

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 2018

| | Note | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|-------|---------------------|---------------------|
| Cash flows from operating activities | | | |
| Receipts in the course of operations (inclusive of GST) | | 264,045 | 149,423 |
| Payments in the course of operations (inclusive of GST) | | (164,193) | (137,730) |
| Proceeds from the sale of inventories | | 28,883 | 10,358 |
| Payments for inventories | | (24,502) | (51,951) |
| Receipts from development activities | | - | 41,686 |
| Payments for development activities | | - | (3,904) |
| Distributions received from equity accounted investments | | 4,770 | - |
| Interest received | | 685 | 572 |
| Finance costs paid | | (899) | (991) |
| Dividend received from available for sale financial asset | | - | 30,437 |
| Income taxes paid | | (20,876) | (6,442) |
| Net cash inflows from operating activities | 16(a) | 87,913 | 31,458 |
| Cash flows from investing activities | | | |
| Proceeds from sale of property, plant and equipment | | - | 1,279 |
| Payments for property, plant and equipment | | (3,007) | (1,119) |
| Payments for intangibles | | (3,326) | (4,694) |
| Return of capital from equity accounted investment | | 962 | - |
| Capital return from available for sale financial asset | | - | 10,699 |
| Net cash (outflows)/inflows from investing activities | | (5,371) | 6,165 |
| Cash flows from financing activities | | | |
| Repayment of related party borrowings | | (206,305) | (35,181) |
| Proceeds from related party borrowings | | 145,668 | 16,256 |
| Repayments of borrowings | | (28,404) | (14,681) |
| Proceeds from borrowings | | 20,932 | 15,705 |
| Purchase of securities for the employee incentive scheme | | (15,207) | (17,531) |
| Net cash outflows from financing activities | | (83,316) | (35,432) |
| Net cash (decrease)/increase in cash and cash equivalents | | (774) | 2,191 |
| Cash and cash equivalents at the beginning of the year | | 20,033 | 17,842 |
| Cash and cash equivalents at the end of the year | | 19,259 | 20,033 |

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 2018

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 |
|--|--|-------|
| 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 is recognised on a straightline basis over the lease term. When the consolidated entity provides lease incentives to tenants, any costs are recognised on a straightline basis over the lease term.

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

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

Refer to note 25(e) for information relating to revenue policies adopted under AASB 15 *Revenue from Contracts with Customers*.

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 the relevant capitalisation rate taking into account the Group's weighted average cost of debt.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

OPERATING ASSETS AND LIABILITIES

2. EQUITY ACCOUNTED INVESTMENTS

| | Note | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|---|---------|---------------------|---------------------|
| Investments in joint ventures | (a)(i) | 11,423 | 11,988 |
| Investments in associates | (a)(ii) | 10,000 | 10,000 |
| Total equity accounted investments | | 21,423 | 21,988 |

(a) Details of equity accounted investments

| Name | Principal activity | Ownership interest | | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|---|----------------------|--------------------|----------------|---------------------|---------------------|
| | | 31 Dec 18 % | 31 Dec 17 % | | |
| (i) Joint ventures | | | | | |
| DPT Operator Pty Limited | Management | 50.00 | 50.00 | 90 | 89 |
| Lendlease GPT (Rouse Hill) Pty Limited ⁽¹⁾ | Property development | 50.00 | 50.00 | 11,324 | 11,896 |
| Erskine Park Trust | Property development | 50.00 | 50.00 | 9 | 3 |
| Total investment in joint ventures | | | | 11,423 | 11,988 |
| (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 entity has a 30 June balance date. The Consolidated Entity has a 50 per cent interest in Lendlease GPT (Rouse Hill) Pty Limited, a joint venture developing residential and commercial land at Rouse Hill, in partnership with Urban Growth and the NSW Department of Planning. The Consolidated Entity's interest is held through a subsidiary that is 52 per cent owned by the Consolidated Entity and 48 per cent owned by GPT Trust.

(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 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Cash and cash equivalents | 21,817 | 25,966 |
| Other assets | 18,464 | 18,488 |
| Property investments and loans | 11,812 | 17,408 |
| Total assets | 52,093 | 61,862 |
| Liabilities | 19,755 | 28,180 |
| Total liabilities | 19,755 | 28,180 |
| Net assets | 32,338 | 33,682 |
| Consolidated entity's share of net assets | 21,169 | 21,841 |
| Additional ownership costs | 254 | 147 |
| Total equity accounted investment | 21,423 | 21,988 |

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

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Revenue | 24,052 | 12,478 |
| Expenses | (12,201) | (3) |
| Profit before income tax expense | 11,851 | 12,475 |
| Income tax expense | (1) | (1) |
| Profit after income tax expense | 11,850 | 12,474 |
| Share of after tax profit of joint ventures and associates | 5,925 | 6,237 |
| Additional ownership costs | (922) | - |
| Share of after tax profit of equity accounted investments | 5,003 | 6,237 |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Carrying value at 1 January 2018 | 21,988 | 15,752 |
| Return of capital | (1,850) | - |
| Share of after tax profit of joint ventures and associates | 5,925 | 6,237 |
| Distributions received/receivable | (4,747) | (1) |
| Carrying value at 31 December 2018 | 21,316 | 21,988 |
| Additional ownership costs | 107 | - |
| Carrying amount of equity accounted investments | 21,423 | 21,988 |

3. TRADE RECEIVABLES

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Trade receivables ⁽¹⁾ | 30,948 | 23,950 |
| Less: impairment of trade receivables | (622) | (12) |
| | 30,326 | 23,938 |
| Accrued income | 188 | 1,474 |
| Related party receivables ⁽²⁾ | 14,962 | 37,483 |
| Trade receivables | 45,476 | 62,895 |

(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 receivables.

| | 31 Dec 18 | | | | | Total | 31 Dec 17 | | | | | Total |
|---------------------------------|------------|---------------|--------------|--------------|--------------|---------------|--------------|---------------|------------|------------|--------------|---------------|
| | Not Due | 0-30 days | 31-60 days | 61-90 days | 90+ days | | Not Due | 0-30 days | 31-60 days | 61-90 days | 90+ days | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Trade receivables | 188 | 39,259 | 1,122 | 3,434 | 2,095 | 46,098 | 1,474 | 57,675 | 504 | - | 3,254 | 62,907 |
| Impairment of trade receivables | - | - | - | - | (622) | (622) | - | - | - | (12) | - | (12) |
| Total trade receivables | 188 | 39,259 | 1,122 | 3,434 | 1,473 | 45,476 | 1,474 | 57,675 | 504 | - | 3,242 | 62,895 |

Refer to note 25(e) for the accounting policies for Trade Receivables and other information relating to the adoption of AASB 9 *Financial Instruments*.

4. INTANGIBLE ASSETS

| | Management rights \$'000 | IT development and software \$'000 | Total \$'000 |
|--|-----------------------------|---------------------------------------|-----------------|
| Cost | | | |
| At 1 January 2017 | 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 |
| Additions | - | 3,498 | 3,498 |
| Transfers | - | (2,395) | (2,395) |
| At 31 December 2018 | 55,825 | 64,338 | 120,163 |
| Accumulated amortisation and impairment | | | |
| At 1 January 2017 | (45,094) | (42,632) | (87,726) |
| Amortisation | (326) | (5,715) | (6,041) |
| Disposal | - | 11,467 | 11,467 |
| Impairment | - | (5,859) | (5,859) |
| At 31 December 2017 | (45,420) | (42,739) | (88,159) |
| Amortisation | (138) | (5,067) | (5,205) |
| At 31 December 2018 | (45,558) | (47,806) | (93,364) |
| Carrying amounts | | | |
| At 31 December 2017 | 10,405 | 20,496 | 30,901 |
| At 31 December 2018 | 10,267 | 16,532 | 26,799 |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 has been assessed at 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.

5. INVENTORIES

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--------------------------------|---------------------|---------------------|
| Development properties | 34,654 | 11,808 |
| Current inventories | 34,654 | 11,808 |
| Development properties | 143,618 | 177,410 |
| Non-current inventories | 143,618 | 177,410 |
| Total inventories | 178,272 | 189,218 |

An impairment expense has been recognised for the year ended 31 December 2018 of \$11,391,000 in relation to Metroplex.

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.

6. PROPERTY, PLANT AND EQUIPMENT

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|---|---------------------|---------------------|
| Computers | | |
| At cost | 15,008 | 15,092 |
| Less: accumulated depreciation and impairment | (12,314) | (11,077) |
| Total computers | 2,694 | 4,015 |
| Office fixtures and fittings | | |
| At cost | 17,532 | 12,683 |
| Less: accumulated depreciation and impairment | (7,565) | (6,788) |
| Total office, fixtures and fittings | 9,967 | 5,895 |
| Total property, plant and equipment | 12,661 | 9,910 |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 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 |
| At 1 January 2018 | | | |
| Opening carrying value | 4,015 | 5,895 | 9,910 |
| Additions | - | 2,578 | 2,578 |
| Transfers | (84) | 2,271 | 2,187 |
| Depreciation | (1,237) | (777) | (2,014) |
| At 31 December 2018 | 2,694 | 9,967 | 12,661 |

The value of property, plant and equipment is measured as the cost of the asset less depreciation and impairment. The cost of the asset includes acquisition costs and any costs directly attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Consolidated Entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Consolidated Statement of Comprehensive Income during the financial period in which they are incurred.

Depreciation

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

Impairment

The Consolidated Entity tests property, plant and equipment for impairment where there is an indicator that the asset may be impaired. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Disposals

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

7. OTHER ASSETS

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|-------------------------------|---------------------|---------------------|
| Lease incentive asset | 5,338 | 3,493 |
| Investment in financial asset | 4,576 | 4,292 |
| Other financial asset | 3,050 | - |
| Total other assets | 12,964 | 7,785 |

8. PAYABLES

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|-------------------------------|---------------------|---------------------|
| Trade payables ⁽¹⁾ | 1,932 | 27,813 |
| Accruals | 24,813 | 27,689 |
| Other payables | 10,144 | 6,607 |
| Total payables | 36,889 | 62,109 |

(1) 2017 includes a \$10,461,283 distribution payable 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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

9. PROVISIONS

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|-------------------------------------|---------------------|---------------------|
| Current provisions | | |
| Employee benefits | 29,623 | 29,159 |
| Other | 4,239 | 9,556 |
| Total current provisions | 33,862 | 38,715 |
| Non-current provisions | | |
| Employee benefits | 11,942 | 9,553 |
| Other | 1,660 | 697 |
| Total non-current provisions | 13,602 | 10,250 |
| Total provisions | 47,464 | 48,965 |

| | Employee benefits \$'000 | Other \$'000 | Total \$'000 |
|-------------------------------|--------------------------------|-----------------|-----------------|
| 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 |
| As at 1 January 2018 | 38,712 | 10,253 | 48,965 |
| Arising during the year | 21,368 | 1,641 | 23,009 |
| Utilised during the year | (18,515) | (5,995) | (24,510) |
| As at 31 December 2018 | 41,565 | 5,899 | 47,464 |

Provisions are recognised when:

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

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

Provision for employee benefits

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

10. TAXATION

(a) Income tax expense

| | 31 Dec 18 | 31 Dec 17 |
|---|--------------|--------------|
| | \$'000 | \$'000 |
| Current income tax expense | 11,554 | 17,012 |
| Deferred income tax credit | (3,884) | (10,606) |
| Income tax expense in the Consolidated Statement of Comprehensive Income | 7,670 | 6,406 |
| Income tax expense attributable to: | | |
| Loss from continuing operations | 7,670 | 6,406 |
| Aggregate income tax expense | 7,670 | 6,406 |

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

| | 31 Dec 18 | 31 Dec 17 |
|--|--------------|--------------|
| | \$'000 | \$'000 |
| Loss from continuing operations before income tax expense | (17,765) | 5,853 |
| Loss from discontinued operations before income tax expense | (15,527) | (13,669) |
| Net loss before income tax expense | (33,292) | (7,816) |
| Prima facie income tax credit at 30% tax rate (2017: 30%) | (9,988) | (2,345) |
| Tax effect of amounts not deductible/assessable in calculating income tax expense: | | |
| Prior year adjustments | - | 175 |
| Previously unrecognised tax losses | - | (421) |
| Non-deductible revaluation items | 22,525 | 10,028 |
| <i>Non-assessable income:</i> | | |
| Derecognition of available for sale financial asset | - | (3,210) |
| Other non-assessable income | (222) | (2,865) |
| <i>Other tax adjustments:</i> | | |
| Release of amounts from foreign currency translation reserve | (5,086) | - |
| Release of gain from available for sale reserve | - | 2,592 |
| Other income | - | 1,480 |
| Permanent differences arising from non-deductible amounts | 441 | 972 |
| Income tax expense | 7,670 | 6,406 |
| Add/(less) amounts to reconcile to current tax (asset)/liability: | | |
| <i>Temporary differences:</i> | | |
| Employee benefits | 457 | 713 |
| Provisions and accruals | (84) | (236) |
| Dividends received | - | 9,131 |
| Other deferred tax asset charged to income | 2,955 | 2,616 |
| Movement in reserves | 556 | (1,618) |
| <i>Opening balance:</i> | | |
| Balance transferred from prior period | 8,559 | (2,011) |
| <i>Tax adjustments:</i> | | |
| Tax payments made to tax authorities | (20,876) | (6,442) |
| Current tax (asset)/liability | (763) | 8,559 |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

(c) Deferred tax asset

| | 31 Dec 18 | 31 Dec 17 |
|-------------------------------|---------------|---------------|
| | \$'000 | \$'000 |
| Employee credits | 15,906 | 15,449 |
| Provisions and accruals | 2,863 | 2,947 |
| Other | 2,322 | (633) |
| Net deferred tax asset | 21,091 | 17,763 |

Movement in temporary differences during the year

| | | |
|--|---------------|---------------|
| Opening balance at the beginning of the year | 17,763 | 7,550 |
| Credited to the Consolidated Statement of Comprehensive Income | 3,884 | 10,606 |
| Movement in reserves | (556) | 1,618 |
| Other/utilisation of tax losses | - | (2,011) |
| Closing balance at the end of the year | 21,091 | 17,763 |

(d) Effective tax rate

| | 31 Dec 18 | 31 Dec 17 |
|---|------------|------------|
| | \$'000 | \$'000 |
| Net loss for the year excluding income tax expense | (33,292) | (7,816) |
| Add: non-deductible revaluation items | 75,082 | 33,657 |
| Less: amounts released from foreign currency translation reserve | (16,953) | - |
| Less: equity accounted profits from joint ventures | (5,925) | (6,237) |
| Add: distribution received from joint ventures taxable to the Company | 4,770 | - |
| Profit used to calculate effective tax rate | 23,682 | 19,604 |
| Income tax expense | 7,670 | 6,406 |
| Add: carry forward tax losses recognised | - | 421 |
| Less: prior year under/overstatements | - | (175) |
| Income tax expense used to calculate effective tax rate | 7,670 | 6,652 |
| Effective tax rate | 32% | 34% |

Adoption of Voluntary Tax Transparency Code

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

The Australian Accounting Standards Board have issued a Draft Appendix to the TTC outlining the method to calculate the effective tax rate as shown in the table 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.

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.

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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

CAPITAL STRUCTURE

11. EQUITY AND RESERVES

(a) Contributed equity

| | Number | \$'000 |
|--|----------------------|----------------|
| Ordinary stapled securities | | |
| Opening securities on issue 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 at 31 December 2017 | 1,801,640,882 | 325,703 |
| Opening securities on issue at 1 January 2018 | 1,801,640,882 | 325,703 |
| Securities issued - Long Term Incentive Plan | 2,332,026 | 92 |
| Securities issued - Deferred Short Term Incentive Plan | 875,344 | 57 |
| Securities issued - Broad Based Employee Security Ownership Plan | 42,174 | 3 |
| Closing securities on issue at 31 December 2018 | 1,804,890,426 | 325,855 |

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 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, net of tax | - | 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 |
| Balance at 1 January 2018 | 34,943 | 2,860 | - | 37,803 |
| Net foreign exchange translation adjustments | (16,770) | - | - | (16,770) |
| Employee incentive schemes expense, net of tax | - | (531) | - | (531) |
| Tax on incentives valued at reporting date | - | (556) | - | (556) |
| Issue of securities | - | (152) | - | (152) |
| Balance at 31 December 2018 | 18,173 | 1,621 | - | 19,794 |

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 2018

(c) Accumulated losses

| | Company \$'000 | Non- controlling interest \$'000 | Total \$'000 |
|--|-------------------|---|------------------|
| 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 | - | (4,554) | (4,554) |
| Balance at 31 December 2017 | (220,275) | (9,396) | (229,671) |
| Balance at 1 January 2018 | (220,275) | (9,396) | (229,671) |
| Net (loss)/profit for the year | (41,524) | 562 | (40,962) |
| Distributions | - | 3,702 | 3,702 |
| Balance at 31 December 2018 | (261,799) | (5,132) | (266,931) |

12. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

| | 31 Dec 18 Cents | 31 Dec 17 Cents |
|--|--------------------|--------------------|
| Basic and diluted earnings per share - loss from continuing operations | (1.44) | (0.28) |
| Basic and diluted loss per share - loss from discontinued operations | (0.86) | (0.76) |
| Total basic and diluted earnings per share | (2.30) | (1.04) |

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

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|---|---------------------|---------------------|
| (Loss)/profit reconciliation - basic and diluted | \$'000 | \$'000 |
| Loss from continuing operations | (25,997) | (5,107) |
| Loss from discontinued operations | (15,527) | (13,669) |
| Profit attributed to external non-controlling interest | 562 | 4,554 |
| | (40,962) | (14,222) |

(c) WANOS

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

| | 31 Dec 18 Number of shares '000s | 31 Dec 17 Number of shares '000s |
|---|---|---|
| WANOS used as denominator in calculating basic earnings per ordinary share | 1,804,400 | 1,801,095 |
| Performance security rights (weighted average basis) ⁽¹⁾ | 2,654 | 2,410 |
| WANOS used as denominator in calculating diluted earnings per ordinary share | 1,807,054 | 1,803,505 |

(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 2018 financial year (2017: nil).

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

14. BORROWINGS

| | 31 Dec 18 | | 31 Dec 17 | |
|---|--|-------------------------------------|--|-------------------------------------|
| | Carrying amount ⁽¹⁾ \$'000 | Fair value ⁽²⁾ \$'000 | Carrying amount ⁽¹⁾ \$'000 | Fair value ⁽²⁾ \$'000 |
| Current borrowings at amortised cost - secured | - | - | 19,921 | 19,980 |
| Current borrowings | - | - | 19,921 | 19,980 |
| Non-current borrowings at amortised cost - secured | 12,587 | 12,636 | - | - |
| Related party borrowings from GPT Trust at amortised cost | 142,031 | 142,031 | 99,146 | 99,625 |
| Non-current borrowings | 154,618 | 154,667 | 99,146 | 99,625 |
| Total borrowings | 154,618 | 154,667 | 119,067 | 119,605 |

(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 Trust and its subsidiaries and have been revalued based on an adjusted working capital calculation at 31 December 2018, in accordance with the loan agreement. As a result, a revaluation loss of \$75,000,000 (2017: \$34,097,679) for both continuing (\$42,461,499) and discontinued (\$32,538,501) operations has been recognised in the Consolidated Statement of Comprehensive Income. The following borrowings were revalued to nil at 31 December 2018 (Dec 2017: nil):

- The amount outstanding on the loan facility to GPT Management Holdings Limited at 31 December 2018 is \$332,527,776 (Dec 2017: \$348,797,027). \$16,269,251 was repaid during the period. This facility expires on 31 December 2030.
- The amount outstanding on the loan facility to GPT International Pty Limited at 31 December 2018 is \$59,359,269 (Dec 2017: \$75,628,519). \$16,269,250 was repaid during the period. This facility expires on 12 June 2032.
- The amount outstanding on the loan facility to Voyages Hotels & Resorts (Loan 1) at 31 December 2018 is \$16,347,082 (Dec 2017: \$32,616,333). \$16,269,251 was repaid during the period. This facility expires on 30 June 2032.
- The amount outstanding on the loan facility to Voyages Hotels & Resorts (Loan 2) at 31 December 2018 is \$31,683,609 (Dec 2017: \$47,952,859). \$16,269,250 was repaid during the period. This facility expires on 3 January 2035.
- The amount outstanding on the loan facility to GPT Property Management Ltd was fully repaid during the year, totalling \$9,922,998.

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

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

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

When the terms of a financial liability are modified, AASB 9 requires an entity to perform an assessment to determine whether the modified terms are substantially different from the existing financial liability. Where a modification is substantial, it will be accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. Where the modification does not result in extinguishment, the difference between the existing carrying amount of the financial liability and the modified cash flows discounted at the original effective interest rate is recognised in the Consolidated Statement of Comprehensive Income as gain/loss on modification of financial liability. The Consolidated Entity has assessed the modification of terms requirements within AASB 9 and have concluded that for intercompany loans with modifications these were deemed to be substantial resulting in extinguishment. Accordingly there has been no gain/loss recognised in the Consolidated Statement of Comprehensive Income.

The maturity profile of borrowings is provided below:

| | Total facility ⁽¹⁾ \$'000 | Used facility ⁽¹⁾ \$'000 | Unused facility \$'000 |
|---|---|--|---------------------------|
| Due within one year | - | - | - |
| Due between one and five years | 36,154 | 31,860 | 4,294 |
| Due after five years | 668,618 | 562,724 | 105,894 |
| | 704,772 | 594,584 | 110,188 |
| Cash and cash equivalents | | | 19,259 |
| Total financing resources available at the end of the year | | | 129,447 |

(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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

(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 2018 on interest bearing borrowings together with the net effect of interest rate risk management transactions. This excludes unamortised establishment costs.

| | Gross exposure | | Net exposure | |
|---|----------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Fixed rate interest-bearing borrowings | - | 48,353 | - | 48,353 |
| Floating rate interest-bearing borrowings | 154,618 | 70,714 | 154,618 | 70,714 |
| | 154,618 | 119,067 | 154,618 | 119,067 |

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.

| | 2018 | 2018 | 2017 | 2017 |
|--|----------------|--------------|--------------|------------|
| | (+1%) | (-1%) | (+1%) | (-1%) |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| | 193 | (193) | 200 | (200) |
| | (1,547) | 1,547 | (708) | 708 |
| | (1,354) | 1,354 | (508) | 508 |

Impact on Statement of Comprehensive Income

| | 2018 | 2018 | 2017 | 2017 |
|--|----------------|--------------|--------------|------------|
| | (+1%) | (-1%) | (+1%) | (-1%) |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Impact on interest revenue increase/(decrease) | 193 | (193) | 200 | (200) |
| Impact on interest expense (increase)/decrease | (1,547) | 1,547 | (708) | 708 |
| | (1,354) | 1,354 | (508) | 508 |

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

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

| | 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 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.

(c) Refinancing risk

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

As at 31 December 2018, 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 18 \$'000 | 31 Dec 17 \$'000 | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
| Assets | | | | |
| Cash and cash equivalents | - | 1,151 | - | 133 |
| | - | 1,151 | - | 133 |
| Liabilities | | | | |
| Other liabilities | - | 304 | - | - |
| | - | 304 | - | - |

(e) Credit risk

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

The Consolidated Entity manages this risk by:

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

Receivables are reviewed regularly throughout the year.

The maximum exposure to credit risk as at 31 December 2018 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 2018

OTHER DISCLOSURE ITEMS

16. CASH FLOW INFORMATION

(a) Cash flows from operating activities

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

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Net loss for the year | (40,962) | (14,222) |
| Share of after tax profit of equity accounted investments (net of distributions) | (233) | (6,237) |
| Loss on disposal of assets | - | 62 |
| Capital return from available for sale financial asset | - | (10,699) |
| Impairment expense | 11,256 | 5,334 |
| Profit on transfer from foreign cash translation reserve | (16,954) | - |
| Non-cash employee benefits - security based payments | 16,608 | 21,781 |
| Fair value movement of investment in Trust | (443) | (295) |
| Interest capitalised | (5,910) | (10,486) |
| Deferred interest | - | (3,252) |
| Amortisation of rental abatement | 392 | 476 |
| Depreciation expense | 2,014 | 1,867 |
| Amortisation expense | 5,205 | 6,041 |
| Amortisation of deferred acquisition costs | 653 | 654 |
| Finance costs | 5,260 | 11,394 |
| Revaluation of financial arrangements | 75,000 | 34,098 |
| Profit on sale of inventory | (1,669) | (1,382) |
| Payments for inventories | (24,502) | (51,951) |
| Proceeds from inventories | 28,883 | 10,358 |
| Decrease in operating assets | 47,589 | 18,534 |
| (Increase)/decrease in operating liabilities | (15,401) | 18,615 |
| Other | 1,127 | 768 |
| Net cash inflows from operating activities | 87,913 | 31,458 |

(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 2017 | 20,033 | (19,921) | (99,146) | (99,034) |
| Cash flows | (774) | 19,980 | (26,872) | (7,666) |
| Other non-cash movements | - | (59) | (28,600) | (28,659) |
| Net debt as at 31 December 2018 | 19,259 | - | (154,618) | (135,359) |

17. COMMITMENTS

(a) Capital expenditure commitments

Capital expenditure commitments at 31 December 2018 were \$10,019,000 (2017: \$1,401,000).

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

(b) Operating lease commitments

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Due within one year | 9,191 | 6,430 |
| Due between one and five years | 24,917 | 15,049 |
| Over five years | 18,882 | 5,495 |
| Total operating lease commitments | 52,990 | 26,974 |

Operating lease commitments are contracted non-cancellable future minimum lease payments expected to be payable but not recognised on the Consolidated Statement of Financial Position.

(c) Commitments relating to equity accounted investments

| | 31 Dec 18 \$'000 | 31 Dec 17 \$'000 |
|---|---------------------|---------------------|
| Capital expenditure commitments | 40 | 168 |
| Total joint venture and associates commitments | 40 | 168 |

The capital expenditure commitments in the Consolidated Entity's equity accounted investments at 31 December 2018 relate to Lendlease GPT (Rouse Hill) Pty Limited (2017: Lendlease GPT (Rouse Hill) Pty Limited).

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

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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 December 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 any subsequent plans, all the awarded stapled securities will vest one year after conversion, subject to continued employment up to the vesting date.

(d) LTI

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

The LTI plan covers each 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. Fair value of the performance rights issued under DSTI is determined using the security price. The following key inputs are taken into account:

| | 2018 LTI | 2018 DSTI |
|----------------------------------|-----------------------------|----------------------------|
| Fair value of rights | \$3.64 | \$5.34 |
| Security price at valuation date | \$5.34 | \$5.34 |
| Total Securityholder Return | 7.0% | N/A |
| Grant dates | 29 March 2018 | 29 March 2018 |
| Expected vesting dates | 31 December 2020 | 31 December 2019 |
| Security Price at the grant date | \$4.74 | \$4.74 |
| Expected life | 3 years (2 years remaining) | 2 years (1 year remaining) |
| Distribution yield | 4.8% | 4.8% |
| Risk free interest rate | 1.9% | N/A |
| Volatility ⁽¹⁾ | 15.8% | 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

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(e) Summary table of all employee security schemes

| | Number of rights | | |
|---|------------------|--------------------|--------------------|
| | DSTI | LTI | Total |
| 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 ⁽¹⁾ | (855,355) | (2,792,225) | (3,647,580) |
| Rights outstanding at 31 December 2017 | 1,338,498 | 8,346,213 | 9,684,711 |
| Rights outstanding at 1 January 2018 | 1,338,498 | 8,346,213 | 9,684,711 |
| Rights granted during 2018 | 1,308,548 | 2,712,482 | 4,021,030 |
| Rights forfeited during 2018 | (550,030) | (879,580) | (1,429,610) |
| Rights converted to GPT stapled securities during 2018 ⁽¹⁾ | (875,344) | (2,332,026) | (3,207,370) |
| Rights outstanding at 31 December 2018 | 1,221,672 | 7,847,089 | 9,068,761 |

(1) 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.

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

| | Number of stapled securities | | |
|---|------------------------------|-----------------|------------------|
| | GESOP | BBESOP | Total |
| 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 |
| Securities outstanding at 1 January 2018 | 53,982 | 123,553 | 177,535 |
| Securities granted during 2018 | 62,609 | 37,488 | 100,097 |
| Securities vested during 2018 | (53,982) | (46,277) | (100,259) |
| Securities outstanding at 31 December 2018 | 62,609 | 114,764 | 177,373 |

20. RELATED PARTY TRANSACTIONS

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

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

Key management personnel

Key management personnel compensation was as follows:

| | 31 Dec 18 | 31 Dec 17 |
|--|------------------|-----------|
| | \$ | \$ |
| Short term employee benefits | 6,943,395 | 6,778,850 |
| Post employment benefits | 178,330 | 168,272 |
| Long term incentive award accrual | 2,050,446 | 2,064,328 |
| Total key management personnel compensation | 9,172,171 | 9,011,450 |

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

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Transactions with related parties

| | 31 Dec 18 | 31 Dec 17 |
|---|-------------|--------------|
| | \$ | \$ |
| Transactions with related parties other than associates and joint ventures | | |
| Transactions with General Property Trust (Trust): | | |
| Revenue and expenses | | |
| Fund management fees from Trust | 25,087,668 | 25,282,904 |
| Property management fees from Trust | 14,160,874 | 14,469,095 |
| Development management fees from Trust | 20,472,495 | 15,650,457 |
| Option fees received from Trust | 538,500 | - |
| Management costs recharged from Trust | 7,516,215 | 7,095,234 |
| Property rent and outgoings paid to Trust | (3,774,934) | (3,661,067) |
| Interest paid to Trust | (5,725,395) | (11,309,992) |
| Receivables | | |
| Current receivables | 14,961,590 | 37,483,052 |
| Loan receivable | - | 37,032,383 |
| Other non-current financial asset receivable | 3,050,000 | - |
| Other transactions | | |
| Revaluation of arrangements with Trust - continued and discontinued operations | 75,000,000 | 34,097,679 |
| Purchase of inventory from Trust | 5,925,000 | 2,799,125 |
| Transactions with employees | | |
| Contributions to superannuation funds on behalf of employees | (6,172,487) | (5,703,954) |
| Transactions with GWOFF and GWSCF: | | |
| Revenue | | |
| Responsible Entity fees | 58,232,953 | 50,744,061 |
| Asset management fees | 17,654,198 | 15,660,782 |
| Development management fees | 5,196,484 | 6,963,854 |
| Directors fees recharged | 657,717 | 653,208 |
| Management costs recharged | 5,698,709 | 5,788,457 |
| Payroll costs recharged | 9,519,877 | 9,396,803 |
| Expense | | |
| Rent expenses | (1,406,006) | (597,294) |
| Receivables and payables | | |
| Current receivable outstanding | 7,200,079 | 9,089,187 |
| Current fund management fee receivable | 14,934,895 | 12,926,671 |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

21. AUDITORS REMUNERATION

| | 31 Dec 18 | 31 Dec 17 |
|---|----------------|----------------|
| | \$ | \$ |
| Audit services | | |
| PricewaterhouseCoopers Australia | | |
| Statutory audit and review of financial reports | 278,996 | 345,846 |
| Total remuneration for audit services | 278,996 | 345,846 |
| Other assurance services | | |
| PricewaterhouseCoopers Australia | | |
| Regulatory and contractually required audits | 257,813 | 99,818 |
| Total remuneration for other assurance service | 257,813 | 99,818 |
| Total remuneration for audit and assurance service | 536,809 | 445,664 |
| Non-audit related services | | |
| PricewaterhouseCoopers Australia | | |
| Other services | 15,300 | - |
| Taxation services | - | 3,500 |
| Total remuneration for non-audit related services | 15,300 | 3,500 |
| Total auditor's remuneration | 552,109 | 449,164 |

22. PARENT ENTITY FINANCIAL INFORMATION

| | 31 Dec 18 | 31 Dec 17 |
|---|----------------|----------------|
| | \$'000 | \$'000 |
| ASSETS | | |
| Total current assets | 387,757 | 288,431 |
| Total non-current assets | 116,561 | 117,756 |
| Total assets | 504,318 | 406,187 |
| LIABILITIES | | |
| Total current liabilities | 208,364 | 176,788 |
| Total non-current liabilities | 21,139 | 99,146 |
| Total liabilities | 229,503 | 275,934 |
| Net assets | 274,815 | 130,253 |
| EQUITY | | |
| Contributed equity | 325,855 | 325,703 |
| Reserves | 4,426 | 5,667 |
| Accumulated losses | (55,466) | (201,117) |
| Total equity | 274,815 | 130,253 |
| Profit attributable to members of the parent entity | 145,651 | 5,190 |
| Total comprehensive income for the year attributable to members of the parent entity | 145,651 | 5,190 |
| Operating lease commitments | | |
| Due within one year | 9,191 | 6,430 |
| Due between one and five years | 24,917 | 15,049 |
| Over five years | 18,882 | 5,495 |
| Total operating lease commitments | 52,990 | 26,974 |

Capital expenditure commitments

The parent entity has \$7,893,000 capital expenditure commitments at 31 December 2018 (2017: \$807,000).

Parent entity financial information

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

Investments in subsidiaries, associates and joint ventures

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

23. FAIR VALUE DISCLOSURES

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

(a) Fair value measurement, valuation techniques and inputs

| Class of assets | Fair value hierarchy | Valuation technique | Inputs used to measure fair value | Range of unobservable inputs | |
|--------------------------------|----------------------|---------------------|-----------------------------------|-----------------------------------|-----------|
| | | | | 31 Dec 18 | 31 Dec 17 |
| Investment in financial assets | Level 2 | Market price | Market price | Not applicable - observable input | |

The different levels of the fair value hierarchy have been defined as follows:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

24. DISCONTINUED OPERATIONS AND AVAILABLE FOR SALE FINANCIAL ASSETS

(a) Discontinued operations

At 31 December 2018, 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 The Citco Group Limited.

(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 18 \$'000 | 31 Dec 17 \$'000 |
|--|---------------------|---------------------|
| Revenue | 17,015 | - |
| Expenses | (32,542) | (13,669) |
| Loss before income tax | (15,527) | (13,669) |
| Income tax | - | - |
| Loss after income tax of discontinued operations | (15,527) | (13,669) |
| Net cash outflow from operating activities | - | 13 |
| Net decrease in cash from discontinued operations | - | 13 |

During the year, GPT Europe 2 Sarl in Luxembourg and Hamburg Trust HTG USA 3 GmbH & Co KG, a foreign entity which held Series D Preferred Units in Babcock & Brown Residential Operating Partnership LP, were wound-up. This resulted in the recognition of a \$16,770,000 foreign exchange gain in discontinued operations.

Discontinued operation

A discontinued operation is a part of the Consolidated Entity's business that:

- it has disposed of or has classified as held for sale and that represents a major line of its business or geographical area of operations; or
- is part of a single co-ordinated plan to dispose of such a line of business or area of operations.

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

(c) Derecognition of available for sale financial assets

In October 2017, the Consolidated Entity received a return of capital of \$10,699,000 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 was derecognised in the Consolidated Statement of Financial Position and \$10,699,000 was 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. 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.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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 \$110,188,000 as set out in note 14;
- under the historical cost convention, as modified by the revaluation for financial assets and liabilities at fair value through the Consolidated Statement of Comprehensive Income;
- using consistent accounting policies and adjustments to bring into line any dissimilar accounting policies being adopted by the controlled entities, associates or joint ventures; and
- in Australian dollars with all values rounded to the nearest thousand dollars, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

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

The financial report was approved by the Board of Directors on 11 February 2019.

(b) Basis of consolidation

Controlled entities

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

Controlled entities are all entities over which the Consolidated Entity has control. The Consolidated Entity controls an entity when the Consolidated Entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

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

Associates

Associates are entities over which the Consolidated Entity has significant influence but not control, generally accompanying a shareholding of between 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) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the GPT entities are measured using the currency of the primary economic environment in which they operate ('the functional currency').

Transactions and balances

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

Foreign operations

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

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

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.

(ii) 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.

(iii) 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 2018

The Consolidated Entity has adopted AASB 9 and AASB 15 at 1 January 2018. AASB 9 addresses the classification, measurement and de-recognition of financial assets and financial liabilities. AASB 15 contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

There have been no significant changes to the Consolidated Entity's financial performance and position as a result of the adoption of new and amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 January 2018. New disclosures have been included as required.

(e) Changes in accounting policies

AASB 9 Financial Instruments

The requirements of AASB 9 represent a significant change from AASB 139 *Financial Instruments*. The nature and effects of the key changes to the Consolidated Entity's accounting policies resulting from the adoption of AASB 9 are summarised below.

(i) Classification and measurement of financial assets and financial liabilities

On 1 January 2018 (the date of initial application of AASB 9), the Consolidated Entity's management assessed which business models apply to the financial assets held and has classified its financial instruments into the appropriate AASB 9 categories. The adoption of AASB 9 has not impacted the carrying value of financial assets but has resulted in classification changes on initial application at 1 January 2018 which is shown in the following table:

| | Original classification under AASB 139 | New classification under AASB 9 | Original carrying amount under AASB 139 31 Dec 17 \$'000 | New carrying amount under AASB 9 31 Dec 17 \$'000 |
|-------------------------|---|------------------------------------|--|---|
| Financial assets | | | | |
| Trade receivables | Loans and receivables | Financial assets at amortised cost | 62,895 | 62,895 |
| Other receivables | Loans and receivables | Financial assets at amortised cost | 630 | 630 |
| Loan receivables | Loans and receivables | Financial assets at amortised cost | 37,032 | 37,032 |

Loans and receivables are classified and measured at amortised cost. The Consolidated Entity holds these financial assets in order to collect the contractual cash flows and the contractual terms are solely payments of outstanding principal and interest on the principal amount outstanding.

AASB 9 requires that all financial liabilities be subsequently classified at amortised costs, except in certain circumstances. None of these circumstances apply to the Consolidated Entity and accordingly there is no change to the classification and measurement of the Consolidated Entity's payables and borrowings on adoption of AASB 9.

(ii) Impairment of financial assets

AASB 9 replaces the 'incurred loss' model in AASB 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at fair value through other comprehensive income (FVOCI), but not to investments in equity instruments. Under AASB 9, credit losses are recognised earlier than under AASB 139. The Consolidated Entity has assessed the impact of the adoption of an ECL model under AASB 9 and identified that the impairment loss was immaterial. See 'Recoverability of loans and receivables' section below for details on how ECL amounts are determined.

(iii) Accounting policies

Policy applicable from 1 January 2018

AASB 9 contains three principal classification categories for financial assets:

- measured at amortised cost;
- fair value through other comprehensive income; and
- fair value through profit and loss (FVTPL).

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

Financial assets at amortised costs

Loans and receivables

Loans and receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the ECL model.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

Recoverability of loans and receivables

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

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

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

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

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

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

(iv) Transition

The impact on the Consolidated Entity's previously reported financial position as at 31 December 2017 as a result of the adoption AASB 9 and its application retrospectively is immaterial to the Consolidated Entity.

AASB 15 Revenue from Contracts with Customers

The requirements of AASB 15 replace AASB 118 *Revenue* and AASB 111 *Construction Contracts*. AASB 15 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.

(v) Classification and measurement of revenue

Revenue is recognised over time if:

- the customer simultaneously receives and consumes the benefits as the entity performs;
- the customer controls the asset as the entity creates or enhances it; or
- the seller's performance does not create an asset for which the seller has an alternative use and there is a right to payment for performance to date.

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

The table below summarises the changes in terminology with respect to the timing of revenue recognition between AASB 111 and AASB 118 compared to AASB 15 and the new revenue recognition policies under AASB 15. From the Consolidated Entity's assessment of when performance obligations are satisfied, there is no change in the timing of revenue recognition when comparing the previous accounting policies to those now under AASB 15.

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

| Type of revenue | Description | Revenue recognition policy under AASB 111 and AASB 118 | Revenue recognition policy under AASB 15 |
|---|--|--|--|
| Fund management fees | The Consolidated Entity provides fund management services to GPT Wholesale Office Fund (GWOF) and GPT Wholesale Shopping Centre Fund (GWSCF) (the Funds) in accordance with the Funds constitutions. The services are utilised on an ongoing basis and revenue is calculated and recognised in accordance with the relevant constitution. The fees are invoiced on a quarterly basis and consideration is payable within 21 days of the quarter end. | Recognised on an accruals basis based on the contract terms. | Over time |
| Fee income - property management fees | The Consolidated Entity provides property management services to the owners of property assets in accordance with property services agreements. The services are utilised on an ongoing basis and revenue is calculated and recognised in accordance with the specific agreement. The fees are invoiced monthly with variable payment terms depending on the individual agreements. Should an adjustment, as calculated in accordance with the property services agreement be required, this is recognised in the Consolidated Statement of Comprehensive Income within the same reporting period. | Recognised on an accruals basis based on the contract terms. | Over time |
| Fee income - property management leasing fees - over time | Under some property management agreements, the Consolidated Entity provides a lease management service to the owners. These services are delivered on an ongoing basis and revenue is recognised monthly, calculated in accordance with the property management agreement. The fees are invoiced monthly with variable payment terms depending on the individual agreements. | Recognised on an accruals basis based on the contract terms. | Over time |
| Fee income - property management leasing fees - point in time | Under some property management agreements, the Consolidated Entity provides leasing management services to the owners. The revenue is recognised when the specific service is delivered (e.g. on lease execution) and consideration is due 30 days from invoice date. | Recognised in the period in which the services are rendered. | Point in time |
| Development management fees | The Consolidated Entity provides development management services to the owners of property assets in accordance with development management agreements. Revenue is calculated and recognised in accordance with the specific agreement. The fees are invoiced on a monthly basis, in arrears, and consideration is due 30 days from invoice date. | If the agreement includes an hourly fee, the revenue is recognised in the period in which the services are rendered. If the agreement includes a fixed price, the revenue is recognised in proportion to the value of the works as a percentage of the total project cost delivered until the completion of the associated development works. | Over time Over time |
| Development revenue | The Consolidated Entity provides development management services to the owners of property assets in accordance with development management agreements. Revenue is calculated in accordance with the specific agreement and invoiced in accordance with the contract terms. Consideration is due from the customer based on the specific terms agreed in the contract and is recognised when the Consolidated Entity has control of the benefit. | Recognised in the period in which the title of the asset is transferred. | Point in time |
| Sale of inventory | Proceeds from the sale of inventory are recognised by the Consolidated Entity in accordance with a specific contract entered into with another party for the delivery of inventory. Revenue is calculated in accordance with the contract. Consideration is payable in accordance with the contract. Revenue is recognised when control has been transferred to the buyer. | When significant risks and rewards are transferred. | Point in time |
| Sale of assets | Proceeds from the sale of assets are recognised by the Consolidated Entity in accordance with a specific contract entered into with another party for the delivery of the asset. Revenue is calculated in accordance with the contract. Consideration is payable in accordance with the contract. Revenue is recognised when control has been transferred to the buyer. | When significant risks and rewards are transferred. | Point in time |

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2018

(f) 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 16 <i>Leases</i> | <p>AASB 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases. It 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 Consolidated Statement of Financial Position and both a depreciation and interest charge in the Consolidated Statement of Comprehensive Income. In contrast, lessor accounting for lease income is not expected to change with the adoption of the new standard other than the separation of service income from lease income for disclosure purposes as a result of the application of AASB 15.</p> <p>The new leasing model requires the recognition of operating leases on the Consolidated Statement of Financial Position. If the Consolidated Entity had adopted the new standard from 1 January 2018, management estimates that the net loss before tax for the year ended 31 December 2018 would decrease by approximately \$224,000. Assets at 31 December 2018 would increase by approximately \$28,504,000 and liabilities increase by \$30,616,000.</p> | 1 January 2019 |

26. EVENTS SUBSEQUENT TO REPORTING DATE

The Directors are not aware of any matter or circumstance occurring since 31 December 2018 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.

DIRECTORS' DECLARATION

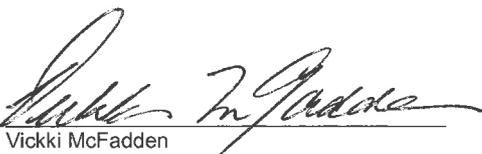
Year ended 31 December 2018

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

- (a) the consolidated financial statements and notes set out on pages 20 to 47 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 2018 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.

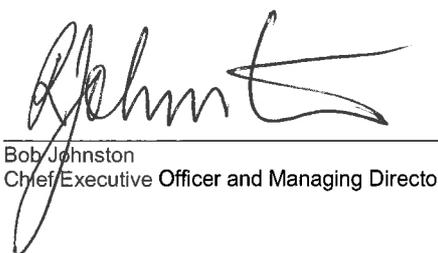
The Directors have been given the declarations by the Chief Executive Officer and Chief Financial Officer as required by Section 295A of the *Corporations Act 2001*.

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



Vicki McFadden
Chairman

GPT Management Holdings Limited



Bob Johnston
Chief Executive Officer and Managing Director

Sydney
11 February 2019



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 2018 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2018
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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

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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.



| <i>Materiality</i> | <i>Audit scope</i> | <i>Key audit matters</i> |
|---|--|--|
| <ul style="list-style-type: none"> ● For the purpose of our audit we used overall Group materiality of \$2.2 million, which represents approximately 1% of the Group total revenue and other income. ● We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. ● We chose Group total revenue and other income as the Group generates income from funds management, property management and development management fees, whilst expenses within the Group are recharged to GPT Trust which can be altered based on the recharge | <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 Inventories – Revenue recognition – Remuneration expense ● These are further described in the <i>Key audit matters</i> section of our report. |

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.

| Key audit matter | How our audit addressed the key audit matter |
|---|--|
| <p>Carrying value of Inventories <i>\$178.3 million (2017: \$189.2 million) Refer to note 5</i></p> <p>The Group develops a portfolio of sites for future sale which is classified as inventory. The Group's inventories are held at the lower of the cost and net realisable value for each inventory project.</p> <p>The cost of the inventory includes the cost of acquisition, development, finance costs and all other costs directly related to specific projects including an allocation of direct overhead expenses.</p> <p>We considered the carrying value of inventories a key audit matter given the relative size of the balance in the Consolidated Statement of Financial Position and the significant judgement required by the Group in estimating future selling prices, costs to complete and selling costs. These judgments may have a material impact on the calculation of net realisable value and therefore in determining whether the value of a project should be written down (impaired). During the year ended 31 December 2018 an impairment of \$11.4m was recognised.</p> | <p>For each project we obtained the Group's latest feasibility models and discussed with management matters such as the overall project strategy, cost movements and claims (where applicable).</p> <p>Using the information gained from these discussions and our prior year knowledge of the business, we used a risk based approach to select a sample of projects 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 any new and previous impairments.• Compared the estimated selling prices to market sales data in similar locations or to recent sales in the project.• Compared the forecasted costs to complete the project to the relevant construction contracts (if available) or to construction cost estimates.• Compared the carrying value to the net realisable value (NRV) to identify projects with potential impairments.• Obtained the purchase agreement for the development site acquired during the year and agreed this to the acquisition price |

recorded. We tested the payment to cash.

- Traced a sample of capital expenditure additions to supporting documentation and tested they were valid costs that could be capitalised in accordance with the requirements of Australian Accounting Standards.

Revenue recognition

\$181.8 million (2017: \$180.8 million)

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 2018 was comprised of the following four streams:

- Fund management fees (\$84.6 million).
- Property management fees (\$43.5 million).
- Management costs recharged (\$32.1 million).
- Development management fees (\$21.6 million).

For all of the above revenue streams, a portion is earned from other entities in The GPT Group.

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.

We developed an understanding of each revenue stream and the processes for calculating and recording revenue. We also developed an understanding of the process by which funds in relation to revenue are received into the Group's bank accounts, and identified the key controls including bank account reconciliations.

Fund management fees

We tested a sample of fund management fees and performed the following procedures, amongst others:

- 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.

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 The GPT 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 2018 budget.
- We reconciled the approved management cost recharge budget to the general ledger.
- We agreed payroll recharge amounts to the audit procedures performed over the Group remuneration 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 the Board minute 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.

We considered management's *AASB 15 Revenue Recognition* assessment by selecting a sample of contracts for each material revenue stream and assessed whether they had been appropriately recognised under the new standard.

Remuneration expense

\$121.4 million (2017: \$123.1 million)

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

Our procedures over the remuneration expense included:

- Developing an understanding of the payroll processes and relevant key controls.
- Testing these key controls to determine whether they were operating effectively.

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.

Management bonuses are accrued throughout the year based on potential 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.

In addition to salaries, wages and bonuses, there are 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 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.

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.

We considered remuneration expense as a key audit matter due to the magnitude of this balance and the multiple streams of employee costs included in this balance.

- Reconciling the year to date payroll cost from the payroll system to the general ledger.

- Comparing the total payroll expense and employee benefit provisions for the current year to the prior year and obtaining explanations for material movements.

- Using data analysis tools to examine payroll payments made during the year, we considered unusual trends and payments that fell outside of our expected ranges. For payments we deemed higher risk, we traced them back to source documentation and other evidence to investigate explanations provided by management.

- Obtaining the Board Nomination and Remuneration Committee approval for the 2018 bonus pool and developing an understanding of the key performance metrics influencing the quantum of management bonuses.

For equity incentive scheme expenses, together with PwC valuation experts, we reviewed the valuation methodology adopted by management in valuing the share rights subject to market and non-market hurdles. We also:

- Assessed the reasonableness of the valuation inputs underlying the valuation of the share rights.

- Performed parallel calculations of the share rights that are subject to the market performance hurdle.

- Agreed inputs to the equity incentive scheme accounting model to supporting documentation and assessed the model for mathematical accuracy.

- Agreed a sample of new rights grants to the relevant invitation letters.

Other information

The directors of the Group (the directors) are responsible for the other information. The other information comprises the information included in the Annual Financial report for the year ended 31 December 2018, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

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

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 10 to 18 of the directors' report for the year ended 31 December 2018.

In our opinion, the remuneration report of GPT Management Holdings Limited for the year ended 31 December 2018 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

S. Horlin

Susan Horlin
Partner

Buckman

Bianca Buckman
Partner

Sydney
11 February 2019