

Appendix 4D
Results for announcement to the market
GDI PROPERTY GROUP

The Appendix 4D should be read in conjunction with the half yearly financial report of GDI Property Group for the half year ended 31 December 2016.

1. GDI Property Group

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

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

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

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

2. Reporting period

The financial information contained in this report is for the six month period from 1 July 2016 to 31 December 2016.

3. Highlights of the results

	December 2016	December 2015
	\$'000	\$'000
Revenue from ordinary activities	39,761	41,486
Comprehensive net profit attributable to securityholders after tax	53,694	17,037
Funds from operations (FFO ¹)	25,461	26,013
Distribution to security holders	(20,879)	(20,879)
	Cents	Cents
Funds from operations per security	4.725	4.815
Distributions per security	3.875	3.875
Payout ratio		
- Distributions as a % of FFO	82%	80%
- Distributions as a % of AFFO ²	114%	102%
Basic earnings per security ³	9.97	3.134
Diluted earnings per security ³	9.88	3.123

1 FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. GDI Property Group also adjusts funds management performance fees charged that remain unpaid from its calculation of FFO. A reconciliation of total comprehensive income for the period to FFO is provided at section 2.1 of the Directors’ Report.

2 AFFO adjusts FFO for incentives paid during the period and maintenance capex.

3 This calculation is based on the comprehensive profit attributable to stapled security holders of GDI Property Group.

	December 2016	June 2016
	\$'000	\$'000
Total assets	983,241	952,865
Total borrowings	320,250	320,116
Security holders equity	597,161	564,450
Market capitalisation	533,431	476,855
	\$ per Security	\$ per Security
Net tangible assets per security	1.072	1.012
Security price	0.990	0.885
Securities on issue	538,819,098	538,819,098
Weighted average securities on issue	543,245,755	539,536,668

4. Commentary on the results

Refer to the Directors' Report of the 31 December 2016 half yearly financial report for a commentary on the results of the Group.

5. Dividends/distributions declared and paid and dividend/distribution reinvestment plan

Distributions/dividends declared or paid in respect of the reporting period were:

	Amount per security	Total distribution	Franked amount per security
	cents	\$'000	cents
2016 final – paid 31 August 2016	3.875	20,879	-
2016 interim – declared 16 December 2016	3.875	20,879	-

No distribution reinvestment plan was operated by GDI Property Group.

6. Changes in control over group entities

There were no acquisitions or disposals of controlled entities during the period.

7. Compliance statement

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

The financial report for the six month period ended 31 December 2016 has been reviewed by the auditors for GDI Property Group.

A copy of the GDI Property Group half yearly financial report for the six months ended 31 December 2016, with the auditors review opinion, has been lodged with the ASX.

GDI Property Group

GDI Property Group Limited
ACN 166 479 189

Half Yearly Financial Report
31 December 2016

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

CONTENTS

Directors' Report	1
Auditor's Independence Declaration	5
Financial Report	6
Consolidated Statement of Profit or Loss and Other Comprehensive Income	6
Consolidated Statement of Financial Position	7
Consolidated Statement of Changes in Equity	8
Consolidated Statement of Cash Flows.....	10
Notes to the Financial Statements	11
1. Summary of significant accounting policies	11
2. Property revenue.....	12
3. Finance costs	12
4. Assets and liabilities held for sale.....	12
5. Investment properties.....	13
6. Borrowings	16
7. Dividends/distributions paid/payable	16
8. Segment reporting.....	17
9. Fair value measurements	20
10. Contingent liabilities.....	23
11. Events after the reporting date	23
Directors' Declaration	24
Independent Auditor's Report	25

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2016

The Directors of GDI Property Group Limited ACN 166 479 189 ("the Company") and GDI Funds Management Limited ACN 107 354 003, AFSL 253 142 as Responsible Entity for GDI Property Trust ARSN 166 598 161 ("the Trust") present their report together with the half yearly financial report of the Company and its controlled entities and the Trust and its controlled entities for the six month period ended 31 December 2016. Shares in the Company are stapled to units in the Trust to form GDI Property Group ("the Group").

The half yearly financial reports of the Company and its subsidiaries and the Trust and its subsidiaries have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining or consolidating accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange ("ASX"). The Responsible Entity of the Trust is GDI Funds Management Limited. GDI Funds Management Limited is a wholly owned subsidiary of the Company and shares a common board.

1. Directors

The following persons were Directors of the Company and GDI Funds Management Limited during the half year and to the date of this Directors' Report:

Director		Appointed to the Board of the Company
Graham Kelly	Independent Non-Executive Chair	5 November 2013
Les Towell	Independent Non-Executive	5 November 2013
Gina Anderson	Independent Non-Executive	5 November 2013
Tony Veale	Non-Executive	5 November 2013
Steve Gillard	Managing Director	5 November 2013

2. Review of results and operations

The Board monitors a range of financial information and operating performance indicators to measure performance over time. The Board uses several measures to monitor the success of the Group's overall strategy, most importantly Funds From Operations ("FFO") and Adjusted Funds From Operation ("AFFO") performance versus budgets and the Group's total return, calculated as the movement in NTA plus distributions. FFO is a Property Council of Australia definition which adjusts statutory AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. GDI Property Group also adjusts funds management performance fees charged that remain unpaid from its calculation of FFO.

2.1 Financial performance

The reconciliation between GDI Property Group's FFO and its statutory profit for the period ended 31 December 2016 is as follows:

	Group	
	31 December 2016	31 December 2015
	\$'000	\$'000
Total comprehensive income for the year	55,601	17,037
Portfolio acquisition and other transaction costs	374	396
Contribution resulting from consolidation of GDI No. 42 Office Trust	(3,739)	-
Distributions/funds management fees received from GDI No. 42 Office Trust	1,533	-
Cash received from guarantees	4,090	1,665
Straight lining adjustments	(988)	(915)
Amortisation of incentives	4,165	1,618
Amortisation of lease costs	289	148
Amortisation of debt and depreciation	167	968
Net fair value (gain) / loss on investment property	(35,710)	3,778
Net fair value (gain) / loss on interest rate swaps	(1,548)	(317)
Loss on non-current asset held for sale	-	1,233
Other FFO adjustments	1,229	403
Funds From Operation	25,461	26,013

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2016

Maintenance capital	(196)	(105)
Incentives paid	(5,066)	(4,959)
Income tax expense	(588)	
Other FFO adjustments	(1,229)	(403)
Adjusted Funds From Operation	18,380	20,546

	Cents	Cents
Funds From Operation per stapled security	4.725	4.815

Property

Property remains the biggest contributor to GDI Property Group's FFO, with a segment result of \$31.2 million. The largest asset contributor within GDI Property Group's Property Division remains Mill Green, a three building complex in the heart of the Perth CBD. Occupancy in the largest of the three buildings, 197 St George's Terrace, Perth, increased to 100.00% (from 96.90% at 30 June 2016). Two whole floor tenancies were also extended and restructured. Occupancy in 5 Mill Street, Perth, increased over the period to 89.94% as at 31 December 2016 from 82.03% as at 30 June 2016. 1 Mill Street, Perth remains vacant. Although Perth remains a difficult leasing market, there has been a noticeable pick up in leasing enquiry and leasing transactions for high quality, well-located buildings.

66 Goulburn Street, Sydney was the second largest contributor to the Property Division's FFO. During the period Consolidated Media Holdings Limited (CMHL) vacated approximately 10,500 sqm, or 11 floors. As at 31 December 2016, 8,560 sqm of that space had been leased to 6 different tenants with a further 240 sqm now subject to signed heads of agreement. GDI Property Group benefitted from a guarantee that it was able to draw down to reduce the impact of the vacancy on its operating cash flows, with the balance of the guarantee, approximately \$2.4 million, being drawn during the period. This guarantee is included in FFO, but is not included in the AIFRS comprehensive income for the period.

Higher occupancy at 307 Queen Street, Brisbane led to higher 'underlying' FFO. However, during GDI Property Group's period of ownership, 307 Queen Street, Brisbane, has benefitted from a number of one offs that make comparing the property's FFO across periods difficult. In this period, given its sale, GDI Property Group claimed the balance of the cash held in trust on behalf of the vendor that met the monthly lease incentives (rebates) that were contracted at the time of the buildings acquisition, effectively bringing forward \$1.4 million of additional FFO in to the current period.

Like for like FFO from 25 Grenfell Street, Adelaide, was slightly lower than the previous corresponding period, largely due to the impact from the departure of the Department of Water from 4,176sqm in May 2016. 50 Cavill Avenue, Surfers Paradise, delivered FFO of \$1.6 million, reflecting the significantly higher occupancy of 71% compared to 54% at the time of exchange in December 2015.

During the period GDI Property Group exchanged contracts to sell 25 Grenfell Street, Adelaide for a net sales price of approximately \$124.0 million and 307 Queen Street, Brisbane, for a net sales price of approximately \$141.0 million, a combined premium over their last independent valuations of \$24.4 million. Both these assets have been classified as Non-current assets held for sale in the Statement of Financial Position, with the carrying amount reflecting the expected proceeds from sale following all settlement adjustments and selling costs. The valuation gains are included in the comprehensive income, but GDI Property Group does not include profits on sale (or in this case, valuation gains resulting from a sale) in its FFO. The sale of 25 Grenfell Street, Adelaide settled on 5 January 2017 and the sale of 307 Queen Street, Brisbane, settled on 31 January 2017.

GDI Property Group revalued the remaining wholly owned investment properties, namely Mill Green (-\$6.0 million), 66 Goulburn Street, Sydney (+\$14.5 million) and 50 Cavill Avenue, Surfers Paradise (+\$10 million). As at 31 December 2016, GDI Property Group's property portfolio (excluding those assets held for sale) was valued at \$675.5 million, including the assets held by the consolidated GDI No. 42 Office Trust, namely 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville.

A summary of GDI Property Group's portfolio metrics is provided below, although the comparison is somewhat misleading due to the current occupancy, weighted average lease expiry and weighted average capitalisation rate excluding 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane:

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2016

	Group	
	As at 31 December 2016	As at 30 June 2016
Occupancy ^{1,2}	85.6%	79.3%
Weighted average lease expiry ^{1,2}	4.1 years	4.7 years
Weighted average capitalisation rate ^{1,3}	7.25%	7.55%

1. Excluding 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane; including 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville
2. Based on NLA
3. Weighted average by property valuation

Funds Management

During the period, funds management revenue was principally derived from ongoing management fees, with the sale of one asset from GDI No. 38 Diversified Property Trust being the only material transactional based fees (disposal fees of \$194,000). On 18 October 2016, GDI No. 40 Pty Limited atf GDI No. 40 Office Trust exchanged contracts to sell 80 George Street, Parramatta for \$51.88 million. Settlement of the sale occurred on 31 January 2017. The sale generated approximately \$1.5 million of sales and performance fees, all of which will be recognised in the second half.

Operating costs

GDI Property Group's operating costs predominantly relate to remuneration, including an accrual of \$650,000 for staff bonuses and the issue of performance rights in FY17.

Net interest expense

As at 31 December 2016, GDI Property Group's primary facility was drawn to \$289.9 million, with undrawn debt of \$35.1 million. The consolidated GDI No. 42 Office Trust has drawn debt of \$31.0 million, with undrawn debt of \$4.4 million. The average interest rate on drawn debt for the period was 3.77%.

GDI Property Group has \$120.0 million of hedged debt, with a weighted average hedge term of 1.3 years at a weighted average interest rate of 3.52%, excluding margin and line fees.

3.2 Financial position

Balance sheet

GDI Property Group's balance sheet is in a sound financial position. As at 31 December 2016:

- Net Tangible Asset (NTA) per security is \$1.07 (30 June 2016: \$1.01);
- Total debt outstanding was \$289.9 million, with undrawn facilities of \$35.1 million; and
- GDI Property Group is well within its primary facility covenants, with a Covenant Loan to Value ratio of 35.37% (Covenant of 50%) and a Covenant Interest Cover ratio of 4.11 X (Covenant of 2X)

Capital management

As GDI Property Group committed to repay \$210.0 million of debt from the Primary Facility with the proceeds from settlement of 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane, this amount has been classified as current, with the balance (\$79.9 million) remaining classified as non-current. Similarly, the assets that have been sold but not settled (contracts exchanged) are also classified as current assets ('Assets held for sale') at their estimated net sales price, in total (\$264.9 million).

4. Future prospects

Following the sales of 25 Grenfell Street, Adelaide and 307 Queen Street, Brisbane, GDI Property Group's portfolio comprises three wholly owned properties, Mill Green, Perth, 66 Goulburn Street, Sydney and 50 Cavill Avenue, Surfers Paradise. GDI Property Group also holds 43.68% of the units of GDI No. 42 Office Trust, a two asset unlisted trust that owns 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville. Following settlement of the two sales, GDI Property Group's main debt facility is drawn to \$49.4 million, a loan to value ratio of 8.4% against the security pool. This provides GDI Property Group with capacity to acquire over \$250.0 million of assets and still be within its Board's gearing policy. GDI

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2016

Property Group is constantly reviewing acquisition opportunities, both for its Property Division and for its Funds Business, but at this stage it has not identified any acquisitions for its Property Division.

On the basis of announced transactions only (for the Funds Business) and existing leases and executed heads of agreement, GDI Property Group is pleased to provide guidance for FY17, subject to no material change in circumstances, of:

- FFO of not less than 8.2 cents per security for the full year, noting that the first half's FFO per security was 4.73 cents; and
- A distribution of not less than 7.75 cents per security, noting that the first half's distribution was 3.875 cents.

In addition, GDI Property Group is pleased to announce that its Board has approved an on-market securities buy-back ("buy-back") as part of its active approach to capital management. Should market conditions permit, GDI Property Group intends to undertake the buy-back of 5% of GDI securities within the next 12 months.

5. Events subsequent to balance date

On 5 January 2017 the contract for the sale of 25 Grenfell Street, Adelaide, was settled. On 31 January 2017, the contract for the sale of 307 Queen Street, Brisbane, was settled. On 31 January, the contract for sale of 80 George Street, Parramatta (GDI No. 40 Office Trust) settled.

Following the repayment of \$240.5 million of debt from the Principle Facility, GDI Property Group has drawn debt of \$49.4 million. On 2 February 2017, GDI Property Group terminated \$80.0 million of interest rate swaps at a cost of \$1.2 million, leaving \$40.0 million hedged until December 2018 (81% hedged).

6. Rounding of Amounts

GDI Property Group is of a kind referred to in ASIC Corporations Instrument 2016/191. Accordingly, amounts in the financial report and the directors' report have been rounded to the nearest thousand in accordance with that Class Order, unless stated otherwise.

7. 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 5.

Signed in accordance with a resolution of the directors of GDI Property Group Limited and GDI Funds Management Limited.



Graham Kelly
Chairman



Steve Gillard
Managing Director

Sydney
Dated this 20th day of February 2017

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GDI PROPERTY GROUP LIMITED AND GDI FUNDS
MANAGEMENT LIMITED AS RESPONSIBLE ENTITY FOR GDI PROPERTY
TRUST**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2016 there have been no contraventions of:

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

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

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

S. Kumar

Sandeep Kumar
Partner
Dated: 20 February 2017

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

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GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Half year ended 31 December	Note	Group		Trust	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Revenue from ordinary activities					
Property income	2	38,854	38,207	38,854	38,207
Funds management income		804	2,294	-	-
Interest income		97	985	88	1,073
Other income		7	-	7	-
Total revenue from ordinary activities		39,761	41,486	38,949	39,280
Net fair value gain on interest rate swaps		1,548	317	1,548	317
Net fair value gain on investment property		35,710	-	35,710	-
Total income		77,019	41,803	76,207	39,597
Expenses					
Property expenses		11,834	9,448	11,834	9,448
Finance costs	3	6,036	6,862	6,034	6,862
Corporate and administration expenses		3,762	3,155	1,027	1,005
Net fair value loss on investment property		-	3,778	-	3,778
Loss on sale of non-current asset		-	1,233	-	1,233
Acquisition expenses		58	90	58	90
Initial public offer costs		316	306	303	293
Total expenses		22,006	24,871	19,256	22,708
Profit before tax		55,013	16,932	56,951	16,889
Income tax (expense)/benefit		588	-	-	-
Profit from continuing operations		55,601	16,932	56,951	16,889
Profit from discontinued operations			105		-
Net profit for the period		55,601	17,037	56,951	16,889
Other comprehensive income			-		-
Total comprehensive income for the year		55,601	17,037	56,951	16,889
Profit and total comprehensive income attributable to:					
Company shareholders		(1,350)	148	-	-
Trust unitholders		55,044	16,889	55,044	16,889
Profit and total comprehensive income attributable to ordinary securityholders		53,694	17,037	55,044	16,889
External non-controlling interests - GDI No. 42 Office Trust		1,907	-	1,907	-
Profit and total comprehensive income		55,601	17,037	56,951	16,889
			Cents		Cents
Basic earnings per stapled security/trust unit		9.97	3.13	10.22	3.12
Diluted earnings per stapled security/trust unit		9.88	3.12	10.13	3.11

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

As at 31 December 2016

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group		Trust	
		31 December	30 June	31 December	30 June
		2016 \$'000	2016 \$'000	2016 \$'000	2016 \$'000
Current assets					
Cash and cash equivalents		11,577	28,394	10,724	25,469
Trade and other receivables		4,266	3,144	4,153	2,105
Non-current assets held for sale	4	264,908	-	264,908	-
Other assets		5,174	1,705	5,263	2,641
Total current assets		285,925	33,243	285,048	30,215
Non-current assets					
Investment properties	5	677,591	900,478	677,591	900,478
Plant and equipment		114	121	-	-
Deferred tax asset		1,500	913	-	-
Intangible assets		18,110	18,110	-	-
Total non-current assets		697,316	919,622	677,591	900,478
Total assets		983,241	952,865	962,639	930,693
Current liabilities					
Borrowings		210,000	-	210,000	-
Derivative financial instruments		717	223	-	223
Trade and other payables		29,160	30,699	28,332	29,408
Provisions		743	346	154	-
Total current liabilities		240,620	31,268	238,485	29,631
Non-current liabilities					
Borrowings		110,250	320,116	110,108	319,974
Derivative financial instruments		2,023	4,065	2,740	4,065
Provisions		93	80	-	-
Other liabilities		9	18	-	-
Total non-current liabilities		112,374	324,279	112,848	324,039
Total liabilities		352,994	355,547	351,333	353,670
Net assets		630,247	597,318	611,306	577,023
Equity					
Contributed equity		22,310	22,310	502,469	502,469
Reserves		101	105	2,231	2,329
Retained profits		(3,470)	(2,120)	73,519	39,356
Equity attributable to equity holders of the Company/ Trust		18,941	20,295	578,220	544,155
Non-controlling interests					
Unitholders of the Trust					
Contributed equity		502,469	502,469	-	-
Reserves		2,231	2,329	-	-
Retained profits		73,519	39,356	-	-
Total equity attributable to trust unitholders		578,220	544,155	-	-
Equity attributed to holders of stapled securities		597,161	564,450	-	-
External non-controlling interest					
Contributed equity		36,890	36,890	36,890	36,890
Retained profits		(3,804)	(4,022)	(3,804)	(4,022)
Total equity attributable to non-controlling interest - GDI No. 42 Office Trust		33,086	32,868	33,086	32,868
Total equity		630,247	597,318	611,306	577,023

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2016

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to securityholders of the Group				Non-controlling interest (Trust)	External non-controlling interest (GDI No. 42 Office Trust)	Total equity
	Contributed equity	Reserves	Retained earnings	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	22,550	(58)	(2,484)	20,009	536,247	-	556,256
Comprehensive income							
(Loss)/profit for the period	-	-	148	148	16,889	-	17,037
Total comprehensive income for the period	-	-	148	148	16,889	-	17,037
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense	-	46	-	46	1,007	-	1,053
Transaction costs, net of tax	(5)	-	-	(5)	(1)	-	(6)
On-market securities buy-back	(145)	-	-	(145)	(3,206)	-	(3,351)
Transfer from treasury security reserve to equity	(95)	95	-	-	-	-	-
Distributions paid/payable	-	-	-	-	(20,879)	-	(20,879)
Total transactions with securityholders in their capacity as securityholders	(245)	141	-	(105)	(23,079)	-	(23,184)
Balance as at 31 December 2015	22,305	83	(2,336)	20,052	530,057	-	550,109
Balance as at 1 July 2016	22,310	105	(2,120)	20,296	544,153	32,868	597,316
Comprehensive income							
Profit for the period	-	-	(1,350)	(1,350)	55,044	1,907	55,601
Total comprehensive income for the period	-	-	(1,350)	(1,350)	55,044	1,907	55,601
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense	-	58	-	58	1,279	-	1,337
Cash settlement transaction	-	(62)	-	(62)	(1,377)	-	(1,440)
Distributions paid/payable	-	-	-	-	(20,879)	(1,688)	(22,567)
Total transactions with securityholders in their capacity as securityholders	-	(4)	-	(4)	(20,977)	(1,688)	(22,670)
Balance as at 31 December 2016	22,310	101	(3,470)	18,941	578,220	33,086	630,247

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP
FINANCIAL REPORT

For the six month period ended 31 December 2016

	Equity attributable to unitholders of the Trust				External non-controlling interest (GDI No. 42 Office Trust)	Total equity
	Contributed equity	Reserves	Retained earnings	Total equity attributable to unitholders of the Trust		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2015	507,769	(1,277)	29,755	536,247	-	536,247
Comprehensive income						
Profit for the period	-	-	16,889	16,889	-	16,889
Total comprehensive income for the period	-	-	16,889	16,889	-	16,889
Transactions with unitholders in their capacity as unitholders						
Security-based payments expense	-	1,007	-	1,007	-	1,007
Transaction costs, net of tax	(1)	-	-	(1)	-	(1)
On-market securities buy-back	(3,206)	-	-	(3,206)	-	(3,206)
Transfer from treasury securities to equity	(2,094)	2,094	-	-	-	-
Distributions paid/payable	-	-	(20,879)	(20,879)	-	(20,879)
Total transactions with unitholders in their capacity as unitholders	(5,301)	3,101	(20,879)	(23,079)	-	(23,079)
Balance as at 31 December 2015	502,468	1,824	25,765	530,057	-	530,057
Balance as at 1 July 2016	502,469	2,329	39,356	544,153	32,868	577,021
Comprehensive income						
Profit for the period	-	-	55,044	55,044	1,907	56,951
Total comprehensive income for the period	-	-	55,044	55,044	1,907	56,951
Transactions with unitholders in their capacity as unitholders						
Security-based payments expense	-	1,279	-	1,279	-	1,279
Cash settlement transaction	-	(1,377)	-	(1,377)	-	(1,377)
Distributions paid/payable	-	-	(20,879)	(20,879)	(1,688)	(22,567)
Total transactions with unitholders in their capacity as unitholders	-	(98)	(20,879)	(20,977)	(1,688)	(22,665)
Balance as at 31 December 2016	502,469	2,231	73,521	578,221	33,086	611,306

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP
FINANCIAL REPORT

For the six month period ended 31 December 2016

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	Group		Trust	
		2016 \$'000	2015 \$'000	2016 \$'000	2015 \$'000
Half year ended 31 December					
Cash flows from operating activities					
Receipts in the course of operations		41,814	41,364	40,052	38,159
Payments in the course of operations		(19,965)	(17,936)	(16,755)	(15,802)
Interest received		97	985	88	1,073
Interest paid		(5,780)	(5,076)	(5,885)	(5,076)
Net cash inflow from operating activities		16,166	19,337	17,500	18,354
Cash flows from investing activities					
Payments for investment properties		(1,178)	(39,435)	(1,178)	(36,790)
Proceeds from the sale of investment properties		-	153,593	-	153,593
Payments for other capitalised costs		(10)	(1,221)	-	(1,213)
Payments for capital expenditure		(6,159)	(5,113)	(6,159)	(5,113)
Payment of tenant incentives		(6,429)	(4,016)	(6,429)	(4,016)
Loan to associated companies		(728)	(570)	-	(2,456)
Proceeds from rental guarantee		4,091	1,665	4,091	1,665
Net cash used in investing activities		(10,414)	104,903	(9,676)	105,670
Cash flows from financing activities					
Proceeds from borrowings		-	33,500	-	33,500
Repayment of borrowings		-	(131,408)	-	(131,408)
Payments for the on-market buy-back of securities		-	(3,357)	-	(3,252)
Payment of loan transaction costs		-	(544)	-	(544)
Payment of distributions to securityholders/unitholders		(22,569)	(20,438)	(22,569)	(20,438)
Net cash from financing activities		(22,569)	(122,247)	(22,569)	(122,142)
Net increase in cash and cash equivalents		(16,817)	1,993	(14,745)	1,881
Cash and cash equivalents at beginning of year		28,394	4,824	25,469	3,985
Cash and cash equivalents at the end of the year		11,577	6,817	10,724	5,867

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GDI Property Group (the “Group”) was formed by the stapling of GDI Property Group Limited (the “Company”) and GDI Property Trust (the “Trust”). The Responsible Entity of the Trust is GDI Funds Management Limited, a wholly owned subsidiary of the Company. GDI Property Group was established for the purpose of facilitating a joint quotation of the Company and the Trust on the ASX. The constitutions of the Company and the Trust, together with a Co-operation Deed dated 25 November 2013, ensure that for so long as the two entities remain jointly quoted, the number of units in the Trust and shares in the Company shall be equal and the unitholders and the shareholders be identical. Both the Responsible Entity of the Trust and the Company must at all times act in the best interests of GDI Property Group.

The Company has been deemed the parent entity of the Trust. The consolidated financial statements and notes represent those of the Company and its controlled entities, including the Trust and its controlled entities as the deemed acquiree. The financial report includes separate financial statements for:

- the Group, consisting of the Company, the Trust and their controlled entities; and
- the Trust, consisting of GDI Property Trust and its controlled entities.

The half yearly financial statements are authorised for issue on 20 February 2017 by the directors of the Company and the Responsible Entity of the Trust.

(a) Basis of preparation

These general purpose interim financial statements for the half year ended 31 December 2016 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of GDI Property Group and its controlled entities and GDI Property Trust and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within GDI Property Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of GDI Property Group for the financial year ended 30 June 2016, together with any ASX announcements made during the following half year.

(b) Consolidated financial statements

The half yearly financial report of the Company and its subsidiaries and the Trust and its subsidiaries have been presented jointly in accordance with ASIC Class Order 13/1050 relating to combining or consolidating accounts under stapling and for the purpose of fulfilling the requirements of the Australian Securities Exchange (“ASX”).

The shares of the Company and the units in the Trust are stapled and issued as stapled securities of the Group. Whilst the shares and units are stapled, they cannot be traded separately and can only be traded as stapled securities. The stapling occurred on 16 December 2013, with trading on the ASX commencing on 17 December 2013.

The stapling has been accounted for pursuant to AASB 3: Business Combinations. The Company has been identified as the acquirer of the Trust whereby the Trust’s net assets are attributed to the trust unitholders. In this regard, the unitholders are treated as the non-controlling interest in the post-stapled financial statements of the Group, despite the fact that such owners also have an equal interest in the Company.

(c) Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 2 – PROPERTY REVENUE

Half year ended 31 December	Group		Trust	
	2016	2015	2016	2015
Property revenue	\$'000	\$'000	\$'000	\$'000
Rent and recoverable outgoings	43,307	39,973	43,307	39,973
Lease costs and incentive amortisation	(4,453)	(1,766)	(4,453)	(1,766)
Total property revenue	38,854	38,207	38,854	38,207

NOTE 3 – FINANCE COSTS

Finance costs	Group		Trust	
	2016	2015	2016	2015
	\$'000	\$'000	\$'000	\$'000
Interest paid / payable	6,036	6,862	6,034	6,862
Total finance costs	6,036	6,862	6,034	6,862

NOTE 4 – ASSETS AND LIABILITIES HELD FOR SALE

On 9 November 2016, The Trust Company (Australia) Limited acf Premium Office Trust exchanged contracts to sell 25 Grenfell Street, Adelaide, for \$125.10 million. On 23 December 2016, The Trust Company (Australia) Limited acf GDI No. 37 Trust, exchanged contracts to sell 307 Queen Street, Brisbane, for \$142.15 million. After settlement and other selling costs, GDI Property Group expects to receive approximately \$124.0 million and \$141.0 million respectively from the sale of these properties. Accordingly, both properties have been classified as assets held for sale and carried at their estimated net selling price.

The assets and liabilities classified as held for sale were stated at fair value less costs to sell.

Assets held for sale	Group		Trust	
	31 December	30 June	31 December	30 June
	2016	2016	2016	2016
	\$'000	\$'000	\$'000	\$'000
Investment properties	264,908	-	264,908	-
Total assets held for sale	264,908	-	264,908	-

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 5 – INVESTMENT PROPERTIES

	Note	Group		Trust	
		31 December 2016 \$'000	30 June 2016 \$'000	31 December 2016 \$'000	30 June 2016 \$'000
a) Investment properties at fair value					
<i>Movement in investment properties</i>					
Balance at beginning of the year		900,478	730,334	900,478	730,334
Additions				-	-
- Investment property		1,240	134,639	1,240	134,639
Assets transferred to non-current assets held for sale		(264,908)	-	(264,908)	-
Liabilities extinguished on sale of non-current assets		(795)	-	(795)	-
Amortisation of rental guarantee		(4,091)	(2,171)	(4,091)	(2,171)
Capital works					
- Property improvements		6,357	13,875	6,357	13,875
- Maintenance capital		196	459	196	459
Straight-lining of rental income		1,112	1,888	1,112	1,888
Incentives paid		5,066	8,458	5,066	8,458
Lease costs		1,675	1,371	1,675	1,371
Amortisation of incentives		(4,165)	(4,559)	(4,165)	(4,559)
Amortisation of lease costs		(289)	(355)	(289)	(355)
Net gain/(loss) from fair value adjustments		35,710	16,539	35,710	16,539
Balance		677,591	900,478	677,591	900,478

b) Rental guarantee and incentive

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

c) Carrying value of rental guarantee and incentive

	Opening balance \$'000	Amortised during period \$'000	Closing balance \$'000
Property			
307 Queen St, Brisbane	1,706	(1,706)	-
66 Goulburn St, Sydney	2,384	(2,384)	-
Total	4,090	(4,090)	-

d) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. All properties were independently valued as at 31 December 2016 based on independent assessments by a member of the Australian Property Institute of Valuers.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

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

<i>Valuation basis</i>	31 December 2016	30 June 2016
Occupancy	85.6%	80.7%
Weighted average lease expiry by area (years)	4.1 years	4.7 years
Weighted average capitalisation rate (%)	7.25%	7.55%

Ten year discounted cash flows and capitalisation valuation methods are used together with active market evidence. In addition to the key assumptions set out in the table above, assumed portfolio downtime ranges from 6 to 18 months and tenant retention ranges from 50% to 75%.

e) Assets pledged as security

Borrowings (refer Note 6) are secured by fixed and floating charges over each investment property plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

f) Details of investment properties

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

	Title	Acquisition date	Acquisition price \$'000	Independent valuation date	Independent valuation \$'000	Carrying amount \$'000	Fair value adjustment \$'000
Investment properties							
Mill Green Complex, Perth	Freehold	16 December 2013	332,656	31 December 2016	320,000	320,000	(8,807)
66 Goulburn St, Sydney	Leasehold	15 July 2014	136,000	31 December 2016	202,000	202,000	13,497
50 Cavill Avenue, Surfers Paradise	Freehold	1 February 2016	46,139	31 December 2016	65,000	65,000	9,019
Unit 38, 46 Cavill Ave, Surfers Paradise	Strata	12 August 2016	1,240	12 August 2016	1,240	1,240	-
223 - 237 Liverpool Rd, Ashfield	Freehold	17 December 2015	35,000	30 June 2016	36,000	36,059	-
235 Stanley St, Townsville	Freehold	16 June 2016	53,500	30 June 2016	52,500	53,292	-
Total Investment properties			603,295		676,740	677,591	13,709

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 6 – BORROWINGS

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

Interest bearing liabilities	Group		Trust	
	31 December 2016 \$'000	30 June 2016 \$'000	31 December 2016 \$'000	30 June 2016 \$'000
<i>Secured liabilities:</i>				
Loans - financial institutions	320,854	320,854	320,854	320,854
Transaction costs	(604)	(738)	(746)	(880)
Total borrowings	320,250	320,116	320,108	319,974

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

Borrowing details

Facility	Secured	Maturity date	Facility \$'000	Utilised \$'000	Unutilised \$'000
Facility Tranche B ¹	Yes	January 2017	210,000	210,000	-
Facility Tranche B ¹	Yes	October 2018	60,000	41,379	18,621
Facility Tranche C ¹	Yes	October 2018	55,000	38,500	16,500
Term Loan ²	Yes	June 2019	30,975	30,975	-
Commercial Equity Facility ²	Yes	June 2019	4,425	-	4,425
			360,400	320,854	39,546
Facility Tranche D ³	Yes	October 2018	5,000		
Total facility			365,400	320,854	39,546

- The principle facility is secured by first registered mortgage over the wholly owned investment properties, held by the Group and a registered fixed and floating charge over the assets of the Group. Interest is payable monthly in arrears at variable rates based on either the 30 or 90 day BBSY. Line fees are payable quarterly in advance.
- The term loan and commercial equity facility are secured by the assets of GDI No. 42 Office Trust, namely 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville.
- The Group also has a \$5 million bank guarantee supporting the financial requirements of GDI Funds Management Limited's AFS Licence. This is undrawn and cannot be used for general working capital purposes.

NOTE 7 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

a) Dividends paid/payable by the Company

There were no dividends paid or payable by the Company in respect of the period ended 31 December 2016.

b) Distributions paid/payable by the Group/Trust

	Group Half year ended December 2016 cents/security	Trust Half year ended December 2016 cents/unit
Distributions paid / payable by the Group / Trust		
31 August 2016	3.875	3.875
28 February 2017	3.875	3.875

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 8 – SEGMENT REPORTING

a) Identification of reportable segments

Group

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

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

The Board assesses the performance of each operating sector based on FFO. FFO is a global financial measure of the real estate operating performance after finance costs and taxes, adjusted for certain non-cash items. The Directors consider FFO to be a measure that reflects the underlying performance of the Group. GDI Property Group's FFO comprises net profit/loss after tax calculated in accordance with the Australian Accounting Standards and adjusted for property revaluations, impairments, derivative mark to market impacts, amortisation of tenant incentives, straight line rent adjustments, gain/loss on sale of assets, deferred tax expense/ benefit and rental guarantees.

Trust

The Trust operates in predominately one operating segment being property investment.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

b) Segment information

(i) Segment performance

	Property	Funds management	Reviewed but unallocated	Total
Half year ended 31 December 2016	\$'000	\$'000	\$'000	\$'000
Operating earnings				
Net property income	27,020	-	-	27,020
Funds Management income	-	804	-	804
Other income	-	-	7	7
Total operating earnings	27,020	804	7	27,830
FFO adjustments				
Straight-lining rental income	(997)	-	9	(988)
Other FFO adjustments	780	449	-	1,229
Amortisation of leasing fees and incentives	4,453	-	17	4,471
Movement in rental guarantees	4,091	-	-	4,091
Adjustment for GDI 42	(4,113)	1,533	-	(2,580)
FFO pre corporate, administration and interest expenses / income	31,233	2,786	33	34,052
+/- corporate, administration and interest expense / income				
Interest paid	(5,508)	(2)	-	(5,509)
Interest income	84	8	-	92
Corporate and administration expenses	(1,027)	-	(2,735)	(3,762)
Income tax (expense)/benefit	-	588	-	588
Total FFO	24,783	3,380	(2,702)	25,461
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain on interest rate swaps	1,548	-	-	1,548
Net fair value gain of investment properties	35,710	-	-	35,710
Straight-lining rental income	997	-	(9)	988
Amortisation of leasing fees and incentives	(4,453)	-	-	(4,453)
Amortisation of loan establishment costs	(150)	-	-	(150)
Depreciation	-	-	(17)	(17)
Movement in rental guarantees	(4,091)	-	-	(4,091)
Initial public offer costs	(303)	(13)	-	(316)
Other FFO adjustments	(780)	(449)	-	(1,229)
Adjustment for GDI 42	4,113	(1,533)	-	2,580
Adjustment for interest paid (GDI 42)	(373)	-	-	(373)
Acquisition Costs	(58)	-	-	(58)
Profit after tax from ordinary activities	56,944	1,385	(2,728)	55,601

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

	Property	Funds	Reviewed but	Total
	\$'000	management	unallocated	\$'000
Half year ended 31 December 2015	\$'000	\$'000	\$'000	\$'000
Operating earnings				
Net property income	28,759	-	-	28,759
Funds Management income	-	2,294	-	2,294
Profit from discontinued operations	-	8	98	106
Total operating earnings	28,759	2,302	98	31,159
FFO adjustments				
Straight-lining rental income	(914)	(1)	-	(915)
Other FFO adjustments	403	-	-	403
Amortisation and depreciation	1,766	16	-	1,782
Movement in rental guarantees	1,665	-	-	1,665
FFO pre corporate, administration and interest expenses / income	31,679	2,317	98	34,094
+/- corporate, administration and interest expense / income				
Interest paid	(5,909)	-	-	(5,909)
Interest income	1,073	9	(98)	984
Corporate and administration expenses	(1,005)	-	(2,150)	(3,155)
Income tax (expense)/benefit	-	-	-	-
Total FFO	25,838	2,326	(2,150)	26,013
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain on interest rate swaps	317	-	-	317
Net fair value loss on investment properties	(3,778)	-	-	(3,778)
Straight-lining rental income	914	1	-	915
Amortisation of leasing fees and incentives	(1,766)	-	-	(1,766)
Amortisation of loan establishment costs	(952)	-	-	(952)
Depreciation	-	(16)	-	(16)
Movement in rental guarantees	(1,665)	-	-	(1,665)
Initial public offer costs	(293)	(13)	-	(306)
Other FFO adjustments	(403)	-	-	(403)
Acquisition Costs	(4)	-	(86)	(90)
Loss on sale of non-current asset held for sale	(1,233)	-	-	(1,233)
Profit from discontinued operations	-	(8)	(98)	(105)
Profit after tax from ordinary activities	16,975	2,290	(2,334)	16,932

(ii) Segment assets and liabilities

	Property	Funds	Reviewed but	Total
	\$'000	management	unallocated	\$'000
As at 31 December 2016	\$'000	\$'000	\$'000	\$'000
Segment assets and liabilities				
Total assets	923,611	59,631	-	986,121
Total liabilities	337,851	15,143	-	355,874
Net assets	585,760	44,487	-	630,247
As at 30 June 2016				
Segment assets and liabilities				
Total assets	892,036	60,829	-	952,865
Total liabilities	340,196	15,350	-	355,547
Net assets	551,839	45,479	-	597,318

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 9 – FAIR VALUE MEASUREMENTS

a) Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

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

b) Financial instruments

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

	31 December 2016		30 June 2016	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	11,577	11,577	28,394	28,394
Trade and other receivables	4,266	4,266	3,144	3,144
Total financial assets	15,843	15,843	31,538	31,538
Financial liabilities				
Trade and other payables	29,160	29,160	30,699	30,699
Provisions	836	836	426	426
Borrowings	320,250	320,250	320,116	320,116
Derivative financial instruments	2,740	2,740	4,288	4,288
Total financial liabilities	352,986	352,986	355,529	355,529

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

c) Fair value hierarchy

The Group and Trust measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- Derivative financial instruments; and
- Investment properties.

The Group and Trust do not subsequently measure any other liabilities (other than derivative financial instruments) at fair value on a non-recurring basis.

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

The following tables provide the fair values of the Group and Trust's assets and liabilities measured and recognised on a recurring basis after initial recognition and their categorisation within the fair value hierarchy:

	As at 31 December 2016			As at 30 June 2016		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Recurring fair value measurements						
<i>Non-financial assets</i>						
- Investment properties	-	677,591	-	-	900,478	-
Total non-financial assets recognised at fair value on a recurring basis	-	677,591	-	-	900,478	-
<i>Financial liabilities</i>						
- Interest rate swaps	-	2,740	-	-	4,288	-
Total financial liabilities recognised at fair value on a recurring basis	-	2,740	-	-	4,288	-

Valuation techniques and inputs used to measure Level 2 Fair Values

	31 December 2016 \$'000	30 June 2016 \$'000	Valuation technique	Inputs Used
Financial assets/liabilities				
Interest rate swaps	(2,740)	(4,288)	Income approach using discounted cash flow methodology	BBSY swap rate
Non-financial assets				
Investment properties ¹	677,591	900,478	Market approach using discounted cash flow, rent capitalisation and recent observable market data methodologies	Comparable discount rates, capitalisation rates and price per square metres of NLA

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

d) Sensitivity information

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

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2016

NOTE 10 – CONTINGENT LIABILITIES

The Group and the Trust had no contingent liabilities as at 31 December 2016 and 30 June 2016.

NOTE 11 – EVENTS AFTER THE REPORTING DATE

On 5 January 2017 the contract for the sale of 25 Grenfell Street, Adelaide, was settled. On 31 January 2017, the contract for the sale of 307 Queen Street, Brisbane, was settled. On 31 January, the contract for sale of 80 George Street, Parramatta (GDI No. 40 Office Trust) settled.

Following the repayment of \$240.5 million of debt from the Principle Facility, GDI Property Group has drawn debt of \$49.4 million. On 2 February 2017, GDI Property Group terminated \$80.0 million of interest rate swaps at a cost of \$1.2 million, leaving \$40.0 million hedged until December 2018 (81% hedged).

DIRECTORS' DECLARATION

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

Directors' Declaration

For the six month period ended 31 December 2016

The directors of GDI Property Group Limited and GDI Funds Management Limited as Responsible Entity for GDI Property Trust, declare that:

- (a) the financial statements and notes that are set out on pages 6 to 23 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (ii) giving a true and fair view of the financial position as at 31 December 2016 and of the performance for the half year ended on that date;
- (b) there are reasonable grounds to believe that GDI Property Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors of GDI Property Group Limited and GDI Funds Management Limited.



Graham Kelly
Chairman

Dated this 20th day of February 2017

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

Report on the Half-year Financial Report

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

We have reviewed the accompanying half-year financial report of the Group and the Trust, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim and other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's and the Trust's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group and the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

Ph: (612) 9263 2600
Fx: (612) 9263 2800

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group and the Trust is not in accordance with the Corporations Act 2001, including:

- a. giving a true and fair view of the Group's and the Trust's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000

S. Kumar

Sandeep Kumar
Partner
Dated: 20 February 2017