

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 2017.

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 2017 to 31 December 2017.

3. Highlights of the results

	December 2017	December 2016
	\$'000	\$'000
Revenue from ordinary activities	39,206	39,761
Comprehensive net profit attributable to securityholders after tax	17,990	53,694
Funds from operations (FFO ¹)	20,742	25,461
Distribution to security holders	20,796	20,879
	Cents	Cents
Funds from operations per security	3.865	4.725
Distributions per security	3.875	3.875
Payout ratio		
- Distributions as a % of FFO	100%	82%
- Distributions as a % of AFFO ²	118%	114%
Basic earnings per security ³	3.35	9.97
Diluted earnings per security ³	3.32	9.88

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. 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 2017	June 2017
	\$'000	\$'000
Total assets	777,697	770,037
Total borrowings	91,059	79,899
Security holders equity	617,930	620,880
Market capitalisation	670,832	551,190
	\$ per Security	\$ per Security
Net tangible assets per security	1.12	1.12
Security price	1.25	1.025
Securities on issue	536,665,396	537,746,463
Weighted average securities on issue	536,991,763	538,498,642

4. Commentary on the results

Refer to the Directors' Report of the 31 December 2017 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
2017 final – paid 31 August 2017	3.875	20,838	-
2017 interim – declared 15 December 2017	3.875	20,796	-

No distribution reinvestment plan was operated by GDI Property Group.

6. Changes in control over group entities

During the period GDI Property Group established GDI No. 43 Pty Limited, a wholly owned subsidiary of GDI Investment Management Limited and GDI No. 44 Pty Limited, a wholly owned subsidiary of GDI Funds Management Limited. GDI No. 43 Pty Limited acts as the trustee of GDI No. 43 Property Trust, an unlisted, unregistered managed investment scheme established to acquire and own 6 Sunray Drive, Innaloo, Perth. GDI No. 44 Pty Limited acts as the trustee of GDI No. 44 Trust, a wholly owned sub trust of GDI Property Trust, established to acquire and own 141 St Georges Terrace, Perth.

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 2017 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 2017, 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 2017

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

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GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2017

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 2017. 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		Appointment date	Retirement date
Graham Kelly	Independent Non-Executive Chair	5 November 2013	-
Les Towell	Independent Non-Executive	5 November 2013	16 November 2017
Gina Anderson	Independent Non-Executive	5 November 2013	-
John Tuxworth	Independent Non-Executive	20 February 2017	-
Giles Woodgate	Independent Non-Executive	16 November 2017	-
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.

2.1 Financial performance

The reconciliation between GDI Property Group's FFO and its statutory profit for the period ended 31 December 2017 is as follows:

	Group	
	31 December 2017	31 December 2016
	\$'000	\$'000
Total comprehensive income for the year	19,837	55,601
Portfolio acquisition and other transaction costs	11,784	374
Contribution resulting from consolidation of GDI No. 42 Office Trust	(3,089)	(3,739)
Distributions/funds management fees received from GDI No. 42 Office Trust	1,493	1,533
Cash received from guarantees	-	4,090
Straight lining adjustments	(862)	(988)
Amortisation of incentives	2,783	4,165
Amortisation of lease costs	291	289
Amortisation of loan establishment costs and depreciation	272	167
Net fair value (gain) / loss on investment property	(6,331)	(35,710)
Net fair value (gain) / loss on interest rate swaps	(397)	(1,548)
Profit on sale of non-current asset	(5,040)	-
Other FFO adjustments	-	1,229
Funds From Operation	20,742	25,461

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2017

Maintenance capital on wholly owned properties	(732)	(196)
Incentives paid on wholly owned properties	(2,356)	(5,066)
Income tax expense	(97)	(588)
Other FFO adjustments	-	(1,229)
Adjusted Funds From Operation	17,556	18,380

	Cents	Cents
Funds From Operation per stapled security	3.865	4.725

Property

GDI Property Group's property portfolio has undergone significant change from the corresponding reporting period 12 months earlier. Since 31 December 2016, GDI Property Group has settled the sales of 25 Grenfell Street, Adelaide (January 2017) and 307 Queen Street, Brisbane (January 2017), sold 66 Goulburn Street, Sydney (November 2017), and purchased 141 St Georges Terrace, Perth (October 2017). Given that 55% by value of the properties that contributed to the Property Divisions' FFO from the previous corresponding period have now be sold, comparisons between that period and this in terms of overall FFO and other operating metrics do not add significant value. GDI Property Group now holds only two assets, Mill Green, Perth and 50 Cavill Avenue, Surfers Paradise, that were held at 31 December 2016.

As mentioned above, during the period GDI Property Group exchanged and settled the sale of 66 Goulburn Street, Sydney for \$252.0 million. The 23,000sqm property was purchased for \$136.0 million in July 2014, with approximately 6,000sqm vacant and another 10,400sqm becoming vacant in August 2015. During the slightly greater than 3 year period of ownership, GDI Property Group either leased or renewed all of the property's net lettable area, which when combined with some minor capex works resulted in such an outstanding result for investors. 66 Goulburn Street, Sydney was purchased with occupancy of 76% and a WALE of 1.8 years, and sold with occupancy of 100% and a WALE of over 5.0 years.

Occupancy for Mill Green fell to 68% of NLA at 31 December 2017 from 79% at 30 June 2017. Although occupancy at 5 Mill Street increased to 100% (from 98% at 30 June 2017), this did not offset the decrease in occupancy at 197 St Georges Terrace to 77% (from 94% at 30 June 2017) following the departures of Chevron Australia Pty Limited (4,643sqm) and A.E.M.O (860sqm) in September 2017. GDI Property Group has previously advised that given the improving market fundamentals in Perth, discussed below, it would take a patient approach to leasing this vacancy. A fitted out suite created on Level 9 was leased as soon as it was available, leading to a decision to create two other fitted out suites for the balance of the floor. Level 17 (860sqm) is subject to a Heads of Agreement and there is interest in the other two suites on Level 9 and two whole floors. As disclosed at 30 June 2017, GDI Property Group is not looking at any long term leasing of 1 Mill Street given both the time of the cycle and its redevelopment opportunities. To that end, GDI Property Group has signed a Memorandum of Understanding with Lend Lease Developments Pty Limited to partner together to explore the development potential of Mill Green to create a leading commercial and retail precinct in the City of Perth (the Development).

Mill Green was revalued at 31 December 2017, with the overall value increasing slightly to \$321.1 million, up from \$320.0 million at 31 December 2016. The value of 5 Mill Street increased by \$2.1 million, whilst the value of 197 St Georges Terrace decreased by \$1.0 million. The value of 1 Mill Street remained unchanged at \$30.0 million.

GDI Property Group's second largest asset is the recently acquired Westralia Square, 141 St Georges Terrace, Perth. This acquisition means GDI Property Group's property portfolio is now heavily weighted to Perth (86% of the wholly owned assets by value). As the Perth office market experienced 22,178sqm of positive net absorption in the six months ended 31 January 2018, and with continued signs of improvement in the leasing market, GDI Property Group anticipates that effective rental growth will start to accelerate through 2018 with continued improvement for a number of subsequent years. GDI Property Group believes its current portfolio is well positioned to capture this expected rental growth, particularly Westralia Square with 89% of its NLA subject to leases expiring in the first half of CY20. With occupancy of 93.5% of NLA, Westralia Square has only one full floor vacant, Level 7 (1,733sqm). This floor has now been fully refurbished creating a show floor for prospective tenants. The only tenant to have a lease expiry prior to CY20, Hartley's Limited (1,379sqm with a lease expiring December 2018) has signed a Heads of Agreement to renew its lease for a period of 8 years.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2017

At GDI Property Group's only other wholly owned property, 50 Cavill Avenue, Surfers Paradise, occupancy including signed heads of agreement has increased to 94% from 90% at 30 June 2017. GDI Property Group's capital expenditure program is now all but complete. As a result of the increased occupancy, continued improvement in effective rents being achieved on both new leasing and renewals, and the near completion of the capex program, the valuation of 50 Cavill Avenue, Surfers Paradise, has increased to \$88.1 million, an increase of \$10.5 million over its 30 June 2017 valuation.

A summary of GDI Property Group's portfolio metrics is provided below, although the comparison is somewhat misleading due to the significant portfolio changes since 30 June 2017.

	Group	
	As at 31 December 2017	As at 30 June 2017
Occupancy ^{1,2}	84.6%	88.2%
Weighted average lease expiry ^{1,2}	2.5 years	3.6 years
Weighted average capitalisation rate ^{1,3}	7.36%	7.32%

1. Including 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville and signed heads of agreement

2. Based on NLA

3. Weighted average by property valuation

Funds Management

The Funds Business segment delivered FFO of \$2.41 million for the six month period to 31 December 2017 (31 December 2016: \$2.79 million). A large contributor to this is GDI No. 42 Office Trust, which is consolidated for statutory accounting purposes, but for FFO purposes GDI Property Group recognises the funds management fees generated on the 56.32% of units it doesn't own and the quarterly distributions on the 43.68% it does own (\$1.25 million). Other revenue generated was largely ongoing management fees.

On 18 August 2017 GDI Property Group announced that GDI No. 43 Pty Limited atf GDI No. 43 Property Trust had exchanged contracts to acquire 6 Sunray Drive, Innaloo, Perth for \$143.5 million. 6 Sunray Drive comprises over 30,000sqm of NLA and is home to Perth's only IKEA store, with the property also containing four peripheral sites leased to other retailers. GDI No. 43 Property Trust is an unlisted, unregistered managed investment scheme. The \$95.7 million capital raising for GDI No. 43 Property Trust successfully closed in December 2017, with the allotment of units and settlement of the property occurring on 10 January 2018. GDI Property Group generated approximately \$2.7 million in fees from the establishment of GDI No. 43 Property Trust, all of which will be recognised in the second half.

Operating costs

GDI Property Group's operating costs predominately relate to remuneration, including an accrual of \$500,000 for staff bonuses and the issue of performance rights in FY18.

Net interest expense

As at 31 December 2017, GDI Property Group's Principal Facility was drawn to \$59.4 million, with undrawn debt of \$55.6 million. The consolidated GDI No. 42 Office Trust has drawn debt of \$32.0 million, with undrawn debt of \$3.4 million. The average interest rate on drawn debt of the principal facility for the period was 4.97%.

As at 31 December 2017, GDI Property Group has one \$40.0 million hedge, with a remaining hedge term of 1.0 year (18 December 2018 expiry) and an interest rate of 3.81%, excluding margin and line fees. All of the drawn debt of GDI No. 42 Office Trust is subject to floating interest rates.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2017

2.2 Financial position

Balance sheet

GDI Property Group's balance sheet is in a very strong financial position. As at 31 December 2017:

- Net tangible asset (NTA) per security is \$1.12 (30 June 2017: \$1.12);
- Total Principal Facility debt outstanding is \$59.4 million, with undrawn facilities of \$55.6 million; and
- GDI Property Group is well within its Principal Facility covenants, with a Covenant Loan to Value ratio of 9.6% (Covenant 50%) and a Covenant Interest Cover ratio of 10.62 X (Covenant of 2X).

As GDI Property Group's Principal Facility expires in October 2018, drawn debt on the Principal Facility is shown as a current liability. Given the low LVR and quality of GDI Property Group's portfolio, it is confident of its ability to refinance this facility.

Capital management

Following the acquisition of Westralia Square and sale of 66 Goulburn Street, Sydney, GDI Property Group's drawn debt on its Principal Facility has increased slightly to \$59.4 million from \$49.4 million at 30 June 2017, with undrawn debt of \$55.6 million. The LVR on GDI Property Group's Principal Facility remains a low 9.5%.

This strong financial position enabled GDI Property Group to continue to monitor opportunities to acquire its securities on market pursuant to a previously announced on-market buyback for up to 5% of its securities. During the six months ended 31 December 2017, GDI Property Group acquired and cancelled a further 1,081,067 securities, taking the total number of securities purchased during the twelve month period to 2,153,702. Securities on issue now total 536,665,396.

3. Future prospects

GDI Property Group's existing portfolio of assets in both the Property Division and the Funds Division provide significant scope for capital appreciation. GDI Property Group's primary focus for CY18 is to continue to implement the asset management initiatives for each of its assets to deliver on this capital appreciation. Although GDI Property Group has significant capacity to fund acquisitions by increasing the size of its Principal Facility, it considers that the current environment of low interest rates fuelling very tight capitalisation rates is unsustainable, and that in the not too distant future rising capitalisation rates and increasing supply will result in a greater number of acquisition opportunities. In the interim, GDI Property Group will look to use its balance sheet capacity to secure unique investment opportunities for its Funds Division, like the recently acquired 6 Sunray Drive, Innaloo, Perth.

GDI Property Group is pleased to confirm that subject to no material change in circumstance, the distribution per security will be not less than 7.75 cents for FY18, noting that the distribution for the first six months was 3.875 cents per security.

In addition, GDI Property Group is pleased to announce its Board has approved an extension for another 12 months of its existing on-market securities buy-back as part of its active approach to capital management. Should market conditions permit, GDI Property Group intends to continue the buy-back of up to 5% of GDI Property Group securities for a further 12 months.

4. Events subsequent to balance date

On 10th January 2018, GDI No. 43 Pty Limited atf GDI No. 43 Property Trust settled the acquisition of 6 Sunray Drive, Innaloo, Perth, for \$143.5 million.

5. 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.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2017

6. 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 6.

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 19th day of February 2018



**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 2017 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.

Hall Chadwick

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

S. Kumar

SANDEEP KUMAR
Partner
Date: 19 February 2018

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 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Half year ended 31 December	Note	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Revenue from ordinary activities					
Property income	2	33,109	38,854	33,109	38,854
Funds management income		918	804	-	-
Interest income		139	97	112	88
Profit on sale of non-current asset		5,040	-	5,040	-
Other income		-	7	-	7
Total revenue from ordinary activities		39,206	39,761	38,260	38,949
Net fair value gain on interest rate swaps		397	1,548	397	1,548
Net fair value gain on investment property		6,331	35,710	6,331	35,710
Total income		45,934	77,019	44,988	76,207
Expenses					
Property expenses		7,991	11,834	7,991	11,834
Finance costs	3	2,621	6,036	2,621	6,034
Corporate and administration expenses		3,799	3,762	1,960	1,027
Acquisition expenses		11,784	58	11,784	58
Initial public offer costs		-	316	-	303
Total expenses		26,195	22,006	24,356	19,256
Profit before tax		19,739	55,013	20,632	56,951
Income tax (expense)/benefit		97	588	-	-
Profit from continuing operations		19,837	55,601	20,632	56,951
Profit from discontinued operations		-	-	-	-
Net profit for the period		19,837	55,601	20,632	56,951
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		19,837	55,601	20,632	56,951
Profit and total comprehensive income attributable to:					
Company shareholders		(796)	(1,350)	-	-
Trust unitholders		18,786	55,044	18,786	55,044
Profit and total comprehensive income attributable to ordinary securityholders		17,990	53,694	18,786	55,044
External non-controlling interests - GDI No. 42 Office Trust		1,846	1,907	1,846	1,907
Profit and total comprehensive income		19,837	55,601	20,632	56,951
Basic earnings per stapled security/trust unit		3.35	9.97	3.50	10.22
Diluted earnings per stapled security/trust unit		3.32	9.88	3.47	10.13

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

As at 31 December 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		Trust	
	Note	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2017 \$'000	30 June 2017 \$'000
Current assets					
Cash and cash equivalents		16,818	23,113	15,945	21,620
Trade and other receivables		3,690	3,122	3,573	1,933
Non-current assets held for sale	4	-	223,000	-	223,000
Other assets	5	10,078	1,705	10,542	3,219
Total current assets		30,586	250,940	30,061	249,772
Non-current assets					
Investment properties	6	727,558	499,628	727,558	499,628
Plant and equipment		88	100	-	-
Deferred tax asset		1,355	1,258	-	-
Intangible assets		18,110	18,110	-	-
Total non-current assets		747,111	519,097	727,558	499,628
Total assets		777,697	770,037	757,618	749,401
Current liabilities					
Borrowings	7	59,161	-	59,161	-
Derivative financial instruments		798	-	798	-
Trade and other payables		28,623	29,605	27,820	28,400
Provisions		765	184	20	-
Total current liabilities		89,347	29,789	87,800	28,400
Non-current liabilities					
Borrowings	7	31,897	79,899	31,756	79,757
Derivative financial instruments		-	1,195	-	1,195
Provisions		129	118	-	-
Other liabilities		5	-	-	70
Total non-current liabilities		32,032	81,212	31,756	81,022
Total liabilities		121,379	111,001	119,556	109,422
Net assets		656,318	659,036	638,063	639,979
Equity					
Contributed equity		22,214	22,264	500,335	501,448
Reserves		162	125	3,567	2,752
Retained profits		(4,120)	(3,332)	95,773	97,623
Equity attributable to equity holders of the Company/Trust		18,255	19,057	599,675	601,823
Non-controlling interests					
Unitholders of the Trust					
Contributed equity		500,335	501,448	-	-
Reserves		3,567	2,752	-	-
Retained profits		95,773	97,623	-	-
Total equity attributable to trust unitholders		599,675	601,823	-	-
Equity attributed to holders of stapled securities		617,930	620,880	-	-
External non-controlling interest					
Contributed equity		36,890	36,890	36,890	36,890
Retained profits		1,498	1,266	1,498	1,266
Total equity attributable to non-controlling interest - GDI No. 42 Office Trust		38,388	38,156	38,388	38,156
Total equity		656,318	659,036	638,063	639,979

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2017

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 2016	22,310	105	(2,120)	20,296	544,153	32,868	597,316
Comprehensive income							
(Loss)/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
Balance as at 1 July 2017	22,264	125	(3,332)	19,057	601,823	38,156	659,036
Comprehensive income							
Profit for the period	-	-	(796)	(796)	18,786	1,846	19,837
Total comprehensive income for the period	-	-	(796)	(796)	18,786	1,846	19,837
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense	-	55	-	55	1,205	-	1,260
Cash settlement transactions	-	(10)	-	(10)	(230)	-	(240)
Issue and formation costs	-	-	-	-	(1)	-	(1)
Transfer from security based payment reserve	-	(7)	7	-	-	-	-
On market buy-back	(50)	-	-	(50)	(1,112)	-	(1,163)
Distributions paid/payable	-	-	-	-	(20,796)	(1,614)	(22,410)
Total transactions with securityholders in their capacity as securityholders	(50)	37	7	(6)	(20,934)	(1,614)	(22,554)
Balance as at 31 December 2017	22,214	162	(4,120)	18,255	599,675	38,388	656,318

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2017

	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 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
Balance as at 1 July 2017	501,448	2,752	97,624	601,823	38,156	639,979
Comprehensive income						
Profit for the period	-	-	18,786	18,786	1,846	20,632
Total comprehensive income for the period	-	-	18,786	18,786	1,846	20,632
Transactions with unitholders in their capacity as unitholders						
Security-based payments expense	-	1,205	-	1,205	-	1,205
Cash settlement transactions	-	(230)	-	(230)	-	(230)
Issue and formation costs	(1)	-	-	(1)	-	(1)
Transfer from security based payment reserve	-	(160)	160	-	-	-
On market buy-back	(1,112)	-	-	(1,112)	-	(1,112)
Distributions paid/payable	-	-	(20,796)	(20,796)	(1,614)	(22,410)
Total transactions with unitholders in their capacity as unitholders	(1,114)	815	(20,636)	(20,934)	(1,614)	(22,548)
Balance as at 31 December 2017	500,335	3,567	95,773	599,675	38,388	638,063

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2017

CONSOLIDATED STATEMENT OF CASH FLOWS

Half year ended 31 December	Notes	Group		Trust	
		2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Cash flows from operating activities					
Receipts in the course of operations		32,922	41,814	33,292	40,052
Payments in the course of operations		(8,827)	(19,965)	(7,818)	(16,755)
Interest received		139	97	112	88
Interest paid		(2,490)	(5,780)	(2,490)	(5,885)
Net cash inflow from operating activities		21,744	16,166	23,096	17,500
Cash flows from investing activities					
Payments for investment properties		(228,034)	(1,178)	(228,034)	(1,178)
Proceeds from the sale of investment properties		228,400	-	228,400	-
Payments for other capitalised costs		(26)	(10)	-	-
Payments for capital expenditure		(5,182)	(6,159)	(5,182)	(6,159)
Payment of tenant incentives		(3,733)	(6,429)	(3,733)	(6,429)
Loan to associated entities		(596)	(728)	(841)	-
Repayment of loans to associated entities		1,193	-	428	-
Proceeds from rental guarantee		-	4,091	-	4,091
Net cash used in investing activities		(7,978)	(10,414)	(8,962)	(9,676)
Cash flows from financing activities					
Proceeds from borrowings		239,514	-	239,514	-
Repayment of borrowings		(228,514)	-	(228,514)	-
Payments for the on-market buy-back of securities		(1,163)	-	(1,112)	-
Payment of loan transaction costs		(100)	-	(100)	-
Loan to associated entities		(7,388)	-	(7,187)	-
Payment of distributions to securityholders/unitholders		(22,410)	(22,569)	(22,410)	(22,569)
Net cash from financing activities		(20,060)	(22,569)	(19,809)	(22,569)
Net increase in cash and cash equivalents		(6,294)	(16,817)	(5,675)	(14,745)
Cash and cash equivalents at beginning of year		23,113	28,394	21,620	25,469
Cash and cash equivalents at the end of the year		16,818	11,577	15,945	10,724

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 2017

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 19 February 2018 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 2017 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 2017, 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 2017

NOTE 2 – PROPERTY REVENUE

Half year ended 31 December	Group		Trust	
	2017	2016	2017	2016
Property revenue	\$'000	\$'000	\$'000	\$'000
Rent and recoverable outgoings	36,184	43,307	36,184	43,307
Lease costs and incentive amortisation	(3,075)	(4,453)	(3,075)	(4,453)
Total property revenue	33,109	38,854	33,109	38,854

NOTE 3 – FINANCE COSTS

	Group		Trust	
	2017	2016	2017	2016
Finance costs	\$'000	\$'000	\$'000	\$'000
Interest paid / payable	2,621	6,036	2,621	6,034
Total finance costs	2,621	6,036	2,621	6,034

NOTE 4 – NON-CURRENT ASSETS HELD FOR SALE

During FY17, GDI Property Group engaged the services of real estate agents to market for sale 66 Goulburn Street, Sydney. On 17 August 2017, GDI Property Group entered in to a contract to sell 66 Goulburn Street, Sydney, for \$252.0 million, a net sales price of approximately \$228.0 million after settlement adjustments and selling costs. Accordingly, in the 30 June 2017 accounts the asset was classified as a Non-current asset held for sale, but as the contract was conditional on Foreign Investment Review Board approval, it was carried at its independent valuation of \$223.0 million.

Following Foreign Investment Review Board approval, the sale of 66 Goulburn Street, Sydney was settled on 17 November 2017.

	Group		Trust	
	31 December	30 June	31 December	30 June
	2017	2017	2017	2017
Assets held for sale	\$'000	\$'000	\$'000	\$'000
Investment properties	-	223,000	-	223,000
Total assets held for sale	-	223,000	-	223,000

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

NOTE 5 – OTHER ASSETS

Group

Other assets includes an amount of \$7,387,951, which relates to a deposit paid by GDI No. 43 Pty Limited atf GDI No. 43 Property Trust on the exchange of contracts for it to buy 6 Sunray Drive, Innaloo, Perth and the associated due diligence costs. GDI No. 43 Property Trust settled the acquisition of 6 Sunray Drive, Innaloo, on 10 January 2018 (see note 12).

Trust

Other assets includes an amount of \$7,187,000 lent to GDI No. 43 Property Trust to enable it to fund the deposit for 6 Sunray Drive, Innaloo, Perth and some of the associated due diligence costs.

NOTE 6 – INVESTMENT PROPERTIES

	Group		Trust	
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2017 \$'000	30 June 2017 \$'000
a) Investment properties at fair value				
<i>Movement in investment properties</i>				
Balance at beginning of the year	499,628	900,478	499,628	900,478
Additions				
- Investment property	216,250	1,240	216,250	1,240
Assets transferred to non-current assets held for sale	(361)	(223,000)	(361)	(223,000)
Disposal	-	(265,664)	-	(265,664)
Amortisation of rental guarantee	-	(4,091)	-	(4,091)
Capital works				
- Property improvements	2,811	12,445	2,811	12,445
- Maintenance capital for wholly owned properties	732	532	732	532
- Maintenance capital for consolidated properties	718	-	718	-
Straight-lining of rental income	857	1,528	857	1,528
Incentives paid on wholly owned properties	2,356	11,745	2,356	11,745
Capitalised outstanding lease incentives	848	915	848	915
Lease costs	462	2,119	462	2,119
Amortisation of incentives	(2,783)	(7,635)	(2,783)	(7,635)
Amortisation of lease costs	(291)	(632)	(291)	(632)
Net gain/(loss) from fair value adjustments	6,331	69,647	6,331	69,647
Balance	727,558	499,628	727,558	499,628

b) 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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

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

<i>Valuation basis</i>	31 December 2017	30 June 2017
Occupancy	84.6%	88.2%
Weighted average lease expiry by area (years)	2.5 years	3.6 years
Weighted average capitalisation rate (%)	7.36%	7.32%

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%.

c) Assets pledged as security

Borrowings (refer Note 7) are secured by General Security Agreement (GSA) 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 2017

d) 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 31 December 2017 \$'000	Fair value adjustment \$'000
Investment properties							
Mill Green Complex, Perth ¹	Freehold	16 December 2013	332,656	31 December 2017	321,100	321,100	(872)
50 Cavill Avenue, Surfers Paradise	Freehold	1 February 2016	46,139	31 December 2017	88,100	88,100	7,203
Unit 38, 46 Cavill Ave, Surfers Paradise	Strata	12 August 2016	1,240	31 December 2017	-	1,240	-
223 - 237 Liverpool Rd, Ashfield	Freehold	17 December 2015	35,000	30 June 2017	43,000	43,069	-
235 Stanley St, Townsville	Freehold	16 June 2016	53,500	30 June 2017	56,000	56,870	-
141 St Georges Terrace, Perth	Freehold	27 October 2017	216,250	1 October 2017	216,250	217,179	-
Total Investment properties			684,785		724,450	727,558	6,331

1. The acquisition date and acquisition price are based on the completion date of the restructure and IPO of stapled securities to create GDI Property Group and the independent valuations ascribed to Mill Green as part of the restructure. The acquisition price includes capital expenditure incurred between the valuation date for the restructure and IPO (1st October 2013) and the acquisition date (16th December 2013)

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

NOTE 7 – BORROWINGS

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

a) Interest bearing liabilities – current	Group		Trust	
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2017 \$'000	30 June 2017 \$'000
Borrowings				
<i>Secured liabilities:</i>				
Loans - financial institutions	59,379	-	59,379	-
Transaction costs	(217)	-	(217)	-
Total borrowings	59,161	-	59,161	-

b) Interest bearing liabilities – non-current	Group		Trust	
	31 December 2017 \$'000	30 June 2017 \$'000	31 December 2017 \$'000	30 June 2017 \$'000
Borrowings				
<i>Secured liabilities:</i>				
Loans - financial institutions	31,975	80,354	31,975	80,354
Transaction costs	(78)	(455)	(219)	(455)
Total borrowings	31,897	79,899	31,756	79,899

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	October 2018	60,000	20,879	39,121
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	1,000	3,425
			150,400	91,354	59,046
Facility Tranche D ³	Yes	October 2018	5,000	-	-
Total facility			155,400	91,354	59,046

1. The principle facility is secured by first registered mortgage over the wholly owned investment properties, held by the Group and a registered GSA 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.
2. 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.
3. 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 8 – 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 2017.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

b) Distributions paid/payable by the Group/Trust

	Group Half year ended December 2017 cents/security	Trust Half year ended December 2017 cents/unit
Distributions paid / payable by the Group / Trust		
31 August 2017	3.875	3.875
28 February 2018	3.875	3.875

NOTE 9 – 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 2017

b) Segment information

(i) Segment performance

	Property	Funds management	Reviewed but unallocated	Total
Half year ended 31 December 2017	\$'000	\$'000	\$'000	\$'000
Operating earnings				
Net property income	25,118	-	-	25,118
Funds Management income	-	918	-	918
Other income	-	-	-	-
Total operating earnings	25,118	918	-	26,036
FFO adjustments				
Straight-lining rental income	(857)	-	(5)	(862)
Amortisation and depreciation	3,075	-	12	3,087
Movement in rental guarantees	-	-	-	-
Adjustment for GDI No. 42 Office Trust	(4,080)	1,493	-	(2,587)
FFO pre corporate, administration and interest expenses / income	23,255	2,412	7	25,674
+/- corporate, administration and interest expense / income				
Interest paid	(2,361)	-	-	(2,361)
Interest income	112	28	-	139
Corporate and administration expenses	(1,960)	-	(1,839)	(3,799)
Adjustment for GDI No. 42 Office Trust	991	-	-	991
Income tax (expense)/benefit	-	97	-	97
Total FFO	20,038	2,537	(1,832)	20,742
Net fair value gain on interest rate swaps	397	-	-	397
Net fair value gain of investment properties	6,331	-	-	6,331
Straight-lining rental income	857	-	5	862
Amortisation and depreciation	(3,075)	-	(12)	(3,087)
Amortisation of loan establishment costs	(260)	-	-	(260)
Adjustment for GDI No. 42 Office Trust	3,089	(1,493)	-	1,595
Profit on sale of non-current asset	5,040	-	-	5,040
Acquisition Costs	(11,784)	-	-	(11,784)
Profit after tax from ordinary activities	20,632	1,044	(1,839)	19,837

GDI PROPERTY GROUP
NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

	Property	Funds	Reviewed but	Total
	\$'000	management	unallocated	\$'000
	\$'000	\$'000	\$'000	\$'000
Half year ended 31 December 2016				
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 and depreciation	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

(ii) Segment assets and liabilities

	Property	Funds	Reviewed but	Total
	\$'000	management	unallocated	\$'000
	\$'000	\$'000	\$'000	\$'000
As at 31 December 2017				
Segment assets and liabilities				
Total assets	713,965	63,732	-	777,697
Total liabilities	105,591	15,788	-	121,379
Net assets	608,374	47,944	-	656,318
As at 30 June 2017				
Segment assets and liabilities				
Total assets	706,158	63,879	-	770,037
Total liabilities	95,919	15,082	-	111,001
Net assets	610,239	48,797	-	659,036

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

NOTE 10 – 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 2017		30 June 2017	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	16,818	16,818	23,113	23,113
Trade and other receivables	3,690	3,690	3,122	3,122
Total financial assets	20,508	20,508	26,234	26,234
Financial liabilities				
Trade and other payables	28,623	28,651	29,605	29,605
Provisions	895	895	302	302
Borrowings	91,059	91,059	79,899	79,899
Derivative financial instruments	798	798	1,195	1,195
Total financial liabilities	121,374	121,403	111,001	111,001

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

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.

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 2017			As at 30 June 2017		
	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	-	727,558	-	-	499,628	-
Total non-financial assets recognised at fair value on a recurring basis	-	727,558	-	-	499,628	-
<i>Financial liabilities</i>						
- Interest rate swaps	-	798	-	-	1,195	-
Total financial liabilities recognised at fair value on a recurring basis	-	798	-	-	1,195	-

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2017

Valuation techniques and inputs used to measure Level 2 Fair Values

	31 December 2017 \$'000	30 June 2017 \$'000	Valuation technique	Inputs Used
Financial assets/liabilities				
Interest rate swaps	(798)	(1,195)	Income approach using discounted cash flow methodology	BBSY swap rate
Non-financial assets				
Investment properties ¹	727,558	499,628	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

NOTE 11 – CONTINGENT LIABILITIES

The Group and the Trust had no contingent liabilities as at 31 December 2017 and 30 June 2017.

NOTE 12 – EVENTS AFTER THE REPORTING DATE

On 10 January 2018, GDI No. 43 Pty Limited atf GDI No. 43 Property Trust settled the acquisition of 6 Sunray Drive, Innaloo, Perth for \$143.5 million. GDI No. 43 Property Trust is an unlisted, unregistered managed investment scheme established for the purpose of owning 6 Sunray Drive, Innaloo, Perth.

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 2017

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 7 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 2017 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 19th day of February 2018

**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 2017, 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 2017 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 2017 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: 19 February 2018