

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

This Appendix 4D should be read in conjunction with the half yearly financial report of GDI Property Group for the half year ended 31 December 2019.

**1. GDI Property Group**

This report is for GDI Property Group ("GDI"), 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 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, 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 2019 to 31 December 2019.

**3. Highlights of the results**

	December 2019	December 2018
	\$'000	\$'000
Revenue from ordinary activities	36,212	39,934
Comprehensive net profit attributable to securityholders after tax	58,389	37,387
Funds from operations (FFO <sup>1</sup> )	23,811	23,483
Distribution to security holders	21,015	20,909
	cents	cents
Funds from operations per security	4.397	4.359
Distributions per security	3.875	3.875
Payout ratio		
- Distributions as a % of FFO	88%	89%
- Distributions as a % of AFFO <sup>2</sup>	114%	107%
Basic earnings per security <sup>3</sup>	10.78	6.94
Diluted earnings per security <sup>3</sup>	10.71	6.91

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.

	December 2019 \$'000	June 2019 \$'000
Total assets	867,316	816,769
Total borrowings	80,815	69,128
Securityholders equity	734,907	696,218
Market capitalisation	799,934	747,318
	December 2019	June 2019
Net tangible assets per security	1.32	1.26
Security price	1.475	1.385
Securities on issue	542,327,901	539,579,646
Weighted average securities on issue	541,476,539	539,172,751

#### 4. Commentary on the results

Refer to the Directors' Report of the 31 December 2019 half yearly financial report for a commentary on the results of the GDI.

#### 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
2019 final – paid 31 August 2019	3.875	20,909	-
2019 interim – declared 13 December 2019	3.875	21,051	-

No distribution reinvestment plan was operated by GDI.

#### 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 2019 has been reviewed by the auditors for GDI.

A copy of the GDI half yearly financial report for the six months ended 31 December 2019, with the auditor's review opinion, has been lodged with the ASX.

# GDI Property Group

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GDI Property Group Limited  
ACN 166 479 189

Half Yearly Financial Report  
31 December 2019

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 2019

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 2019. Shares in the Company are stapled to units in the Trust to form GDI Property Group ("GDI").

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
Gina Anderson	Independent Chairman	5 November 2013	-
John Tuxworth	Independent Non-Executive	20 February 2017	-
Giles Woodgate	Independent Non-Executive	16 November 2017	-
Stephen Burns	Independent Non-Executive	15 November 2018	-
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 GDI's overall strategy, most importantly Funds From Operations ("FFO") and Adjusted Funds From Operation ("AFFO") performance versus budgets and GDI'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's FFO and its statutory profit for the period ended 31 December 2019 is as follows:

	GDI	
	31 December 2019	31 December 2018
	\$'000	\$'000
Total comprehensive income for the year	59,546	39,489
Portfolio acquisition and other transaction costs	-	7
Contribution resulting from consolidation of GDI No. 42 Office Trust	(2,297)	(4,211)
Distributions/funds management fees received from GDI No. 42 Office Trust	943	1,435
Straight lining adjustments	457	(67)
Amortisation of incentives	2,599	1,915
Amortisation of lease costs	427	327
Amortisation of loan establishment costs and depreciation	85	156
Net fair value (gain) / loss on investment property	(37,949)	(15,192)
Net fair value (gain) / loss on interest rate swaps	-	(377)
<b>Funds From Operation</b>	<b>23,811</b>	<b>23,483</b>

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six-month period ended 31 December 2019

Maintenance capital on wholly owned properties	(2,153)	(1,538)
Incentives and leasing fees paid on wholly owned properties	(3,151)	(2,804)
Income tax (expense) / benefit	3	429
<b>Adjusted Funds From Operation</b>	<b>18,510</b>	<b>19,570</b>

	Cents	Cents
<b>Funds From Operation per stapled security</b>	<b>4.397</b>	<b>4.359</b>

#### Property

GDI's portfolio, both in its Property ("Property Division") and Funds Management ("Funds Business") businesses, is heavily weighted to Perth. The Perth CBD office market fundamentals are continuing to improve, with vacancy falling to 17.6% as at 31 January 2020, down from 18.5% at the same time last year following over 32,738sqm of positive net absorption during that period. With no new major developments expected to be delivered until 2023 at the earliest, with an already reduced number of +1,000sqm contiguous floors available for lease and with expected growing demand, we anticipate that the strong effective rental growth achieved during CY19 will continue for several years. We believe GDI's portfolio is well positioned to capture this anticipated effective rental growth.

The largest contributor to the Property Division's FFO is 141 St Georges Terrace, Perth (Westralia Square), with FFO for the period of \$13.6 million (\$13.6 million in the previous corresponding period). The largest tenant in Westralia Square is the Minister for Works, a long-term tenant occupying 25,664sqm of the total 32,635sqm of lettable area. During the period the Minister for Works executed two new leases commencing 1 February 2021:

- levels 1-5, 8 and 9 (12,689sqm) for five<sup>1</sup> years for Western Australia Police Force (WAPOL); and
- level 10 (1,833sqm) for six years for Births, Deaths and Marriages (BDM).

The existing leases to the Minister of Works were varied, largely to facilitate WAPOL's relocation in Westralia Square from the upper levels to the lower levels, and the departure of the Department of Justice. The lease variations not only extended the term of the existing leases, but also the rent payable during the variation period.

United Group Limited completed its make-good obligations by its lease expiry dated 5 January 2020 having vacated levels 17 and 18 (3,374sqm). We immediately commenced a refurbishment of those floors, including upgrading the lift lobbies and toilets.

The capital works programme, including the upgrade of the lifts and end of trip facilities continued during the period, with a further \$1.3 million of capital expenditure. It is anticipated that the lift upgrade works will complete prior to 30 June 2020 and the end of trip facilities by 31 December 2020.

Plans for the development of the excess land at Westralia Square (WS2) changed materially, with GDI now planning an 11-storey building of approximately 9,130sqm of NLA. Prior to the end of the year, we commenced the process of lodging a Development Application (DA) for the larger than previously contemplated building. As at the date of this report, the consent to the lodgement of the DA from the adjoining owners, a requirement pursuant to various adjoining owners agreements, had not been granted. Capital expenditure of \$1.6 million has been spent on the development of WS2.

The second largest contributor to the Property Division's FFO is Mill Green, comprising 197 St Georges Terrace, 5 Mill Street and 1 Mill Street, Perth. Occupancy in the largest of the three buildings, 197 St Georges Terrace, has remained steady at 85.50% in the six-months from 30 June 2019 (85.75%), however this includes Chevron's former training facilities on the ground and mezzanine levels (4.58% of NLA) that is being shown as vacant notwithstanding it being offered to the market as conferencing facilities. With no major expiries until FY22 (Jacobs Group, 3,442sqm), we expect to see a continued improvement in the occupancy at 197 St Georges Terrace.

During the period, we completed the upgrade of the lifts and the end of trip facility and we now do not anticipate any further major capital expenditure requirements for the medium term.

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six-month period ended 31 December 2019

Principally due to the departure of Accenture (603sqm), occupancy in 5 Mill Street fell slightly to 85.12% of NLA at 31 December 2019, down from 89.45% at 30 June 2019. Given the previous leasing successes at 5 Mill Street, and the generally high quality of the vacant space, it is anticipated that occupancy will increase during CY20.

As previously disclosed, GDI is not looking at any immediate long-term leasing of 1 Mill Street, given both the time of the cycle and its redevelopment opportunities. There are a number of single user tenants that have/will have requirements in the market during 2020 that GDI and Lendlease Developments Pty Limited, in accordance with the Memorandum of Understanding between the parties, will pursue.

At GDI's only other wholly owned property, 50 Cavill Avenue, Surfers Paradise, occupancy, including signed heads of agreement, has increased to 97.39% from 94.35% at 30 June 2019, with only three suites remaining unoccupied. During the period we engaged agents to market 50 Cavill Avenue, for sale. Consequently, 50 Cavill Avenue and the strata unit at 46 Cavill Avenue, Surfers Paradise, have been reclassified as non-current assets held for sale. If a sale does not eventuate before 30 June 2020, it is likely both 50 Cavill Avenue and the strata unit at 46 Cavill Avenue will be reclassified to Investment property.

As GDI owns 43.68% of the units on issue of GDI No. 42 Office Trust, it consolidates GDI No. 42 Office Trust for statutory accounting purposes. GDI No. 42 Office Trust owns 235 Stanley Street, Townsville (Stanley Place). Stanley Place's major tenant, the Australian Taxation Office (ATO), advised it will not be renewing its lease at the premises when it expires, originally in February 2020, but now in August 2020 after we provided the ATO with a six-month lease extension. The second largest tenant, the Department of Human Services (DHS), occupies two floors under a direct lease which was expiring in the first half of FY21 (2,322sqm) and a further two floors under sub-lease from the ATO (2,322sqm). DHS has signed a new 6.5-year lease commencing 1 March 2020 for all of the 4,644sqm of space it currently occupies and has commenced negotiations for up to a further 3,000sqm of space. GDI remains confident that there will be minimal downtime from any vacancy created by the departure of the ATO in August 2020 (5,118sqm).

Two of GDI's Investment properties were independently revalued as at 31 December 2019. Westralia Square's valuation increased to \$316.0 million, up from \$285.0 million at 30 June 2019. Mill Green's valuation increased to \$343.0 million, up from \$330.0 million at 31 December 2018.

A summary of the Property Division's portfolio metrics is provided below.

	GDI	
	As at 31 December 2019	As at 30 June 2019
Occupancy <sup>2,3</sup>	84.9%	84.8%
Weighted average lease expiry <sup>2,3</sup>	2.8 years	2.4 years
Weighted average capitalisation rate <sup>2,4</sup>	6.92%	7.02%

#### **Funds Management**

The Funds Business delivered FFO before interest and income tax expense of \$2.0 million for the six-month period to 31 December 2019 (31 December 2018: \$2.6 million). A large contributor to this is GDI No. 42 Office Trust, which is consolidated for statutory accounting purposes, but for FFO purposes GDI 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 (\$0.8 million). Other revenue generated was largely ongoing management fees.

On 14 November 2019, GDI No. 46 Pty Limited atf GDI No. 46 Property Trust entered into a call option<sup>5</sup> to acquire a \$98.0 million portfolio of 17 metropolitan Perth properties (the 'Portfolio') occupied by high profile car dealerships and service centres located on major arterial roads. The Portfolio is fully leased for a term of approximately 11 years, with the tenant<sup>6</sup> having 5 x 5-year options. The leases have annual CPI<sup>7</sup> + 1% rental increases, with market reviews<sup>7</sup> in 2023 and 2028.

The acquisition was funded through the establishment of a new unlisted unregistered managed investment scheme, GDI No. 46 Property Trust (the Trust). The Trust settled the acquisition on 14 February 2020 having successfully raised approximately \$76 million. GDI holds approximately 48% of the units on issue of the Trust.

## **GDI PROPERTY GROUP**

### **DIRECTORS' REPORT**

For the six-month period ended 31 December 2019

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#### ***Operating costs***

Operating costs predominately relate to remuneration, including an accrual of \$500,000 for staff bonuses and the issue of performance rights in FY20.

#### ***Net interest expense***

As at 31 December 2019, GDI's Principal Facility was drawn to \$71.0 million (30 June 2019: \$59.4 million), with undrawn debt of \$64.0 million. The consolidated GDI No. 42 Office Trust has drawn debt of \$10.0 million, with undrawn debt of \$1.5 million. The average interest rate on drawn debt of the Principal Facility for the period was 3.10%.

As at 31 December 2019, all drawn debt is subject to floating interest rates.

#### **Financial position**

##### ***Balance sheet***

GDI's balance sheet is in a very strong financial position. As at 31 December 2019:

- Net tangible asset (NTA) per security is \$1.32 (30 June 2019: \$1.26);
- Total Principal Facility debt outstanding is \$71.0 million, with undrawn facilities of \$64.0 million; and
- GDI is well within its Principal Facility covenants, with a Covenant Loan to Value ratio of 9.35% (Covenant 50%) and a Covenant Interest Cover ratio of 20.08X (Covenant of 2X).

##### ***Capital management***

This strong financial position enabled GDI 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. However, during the six-months ended 31 December 2019, no securities were bought back and cancelled and the on-market buyback programme has subsequently been cancelled.

In August 2019, GDI issued 2,748,255 new securities to satisfy performance rights issued in FY16 that vested on the signing of the FY19 financial accounts.

Securities on issue as at 31 December 2019 total 542,327,901.

### **3. Future prospects**

GDI's existing portfolio of assets in both the Property Division and the Funds Business provide significant scope for capital appreciation, and the primary focus for CY20 is to continue to implement the asset management initiatives for each of its assets to deliver on this capital appreciation. Although GDI has significant capacity to fund acquisitions by increasing the size of its Principal Facility, we consider that the current environment of low interest rates fuelling very tight capitalisation rates is unsustainable, and that in time better acquisition opportunities will emerge. In the interim, GDI will look to use its balance sheet capacity to:

- continue the asset management strategies at each of its assets, most notably the development of the excess land and ongoing capital expenditure program at Westralia Square and securing a pre-commitment for a new development at 1 Mill Street, Perth; and
- facilitate the settlement of the acquisition of the Portfolio being acquired by GDI No. 46 Property Trust.

On 16 July 2019, GDI No. 45 Pty Limited atf GDI No. 45 Property Trust exchanged a conditional contract<sup>8</sup> to acquire 180 Hay Street, for \$12.59 million. Constructed in 1999, 180 Hay Street comprises 4,925sqm of well-presented office space over four floors of over 1,000sqm each and a mezzanine level. On settlement on or around 30 June 2020<sup>9</sup>, the Property will be 100% vacant. During the six-months to 30 June 2020, we intend to determine how 180 Hay Street, Perth, will be held, whether in an unlisted unregistered managed investment scheme, or on GDI's balance sheet.



## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six-month period ended 31 December 2019

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We are also pleased to reconfirm that, subject to no material change in circumstance, the forecast FY20 distribution per security is 7.75 cents, noting that the distribution for the first six months was 3.875 cents per security.

#### 4. Distribution policy beyond FY20

GDI aims to deliver a consistent 12.0% total return on equity, measured both annually and on a three-year rolling basis. Total return is measured as NTA growth per security plus distributions per security. This total return could be heavily skewed to distributions per security, or in the alternative, NTA growth per security. However, GDI has an objective of at least maintaining its current level of distribution.

GDI's distributions have been benchmarked off FFO, not AFFO. In all but its first financial year since the Initial Public Offer of securities, distributions have been in excess of its AFFO, but not its FFO. This resulting cash shortfall to pay the distribution has been funded from asset recycling or use of GDI's conservative balance sheet. In the absence of an asset sale(s), GDI is unlikely to pay distributions materially in excess of FFO.

Given the significant value of lease expiries in FY21, particularly at Westralia Square, and GDI's intention to sell 50 Cavill Avenue, Surfers Paradise, a higher degree of uncertainty than usual surrounds the internal forecasting of FY21 FFO. GDI intends to provide at least first half FY21 distribution guidance at the release of its annual results in August 2020, but may not be in a position to provide full year distribution guidance.

#### 5. Events subsequent to balance date

On 14 February 2020, GDI No. 46 Property Trust, via a series of controlled sub-trusts, completed the \$98.0 million acquisition of the portfolio of 17 high profile car dealerships and service centres located on major arterial roads in metropolitan Perth. GDI No. 46 Property Trust successfully raised approximately \$76.0 million from investors, with GDI Property Trust holding approximately 48% of the units on issue.

#### 6. Rounding of Amounts

Amounts in the financial report and the directors' report have been rounded to the nearest thousand in accordance with ASIC Corporations Instrument 2016/191, 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 7.

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



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Gina Anderson  
Chairman



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Steve Gillard  
Managing Director

Sydney  
Dated this 24<sup>th</sup> day of February 2020

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six-month period ended 31 December 2019

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1. WAPOL has certain 12-month lease extension and termination rights on the giving of at least 18 months-notice, and in the case of termination, compensation to GDI
2. Including 50 Cavill Avenue, Surfers Paradise (non-current asset held for sale), 235 Stanley Street, Townsville and heads of agreement
3. Based on NLA
4. Weighted average by property valuation
5. GDI No. 46 Property Trust has entered in to 17 separate call options (collectively, the Call Option) to acquire 19 properties, with two properties to be amalgamated. Four of the call options are subject to environmental due diligence being completed to the satisfaction of the buyer. The Call Option fee is \$8.0 million.
6. The tenant is either Buick Holdings Pty Limited (Buick), or wholly owned subsidiaries of Buick. Buick is owned 67% by IDOM Automotive Group Pty Limited, a wholly owned subsidiary of IDOM Inc, an entity listed on the Tokyo Stock Exchange, and 33% by entities associated with the DiVirgilio family.
7. CPI is Perth Capital City CPI and the market reviews have a 10% cap and 5% collar.
8. The contract is conditional on the vendor completing various works and reports to the satisfaction of the purchaser no later than 60 days prior to settlement
9. The target date for settlement is 30 June 2020, however the vendor can give 90-days' notice for settlement to occur on any day between 2 April 2020 and 29 September 2020

**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**

**SYDNEY**  
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In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of GDI Property Group (the "Group"). As the lead audit partner for the review of the financial report of the Group for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, 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: 24 February 2020

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**GDI PROPERTY GROUP**  
**FINANCIAL REPORT**

For the six-month period ended 31 December 2019

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Half year ended 31 December	Note	GDI		Trust	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<b>Revenue from ordinary activities</b>					
Property income	2	35,103	37,751	35,123	37,771
Funds management income		1,064	1,144	-	-
Interest income		45	111	40	105
Other income		-	928	-	928
<b>Total revenue from ordinary activities</b>		<b>36,212</b>	<b>39,934</b>	<b>35,162</b>	<b>38,804</b>
Net fair value gain on interest rate swaps		-	377	-	377
Net fair value gain on investment property		37,949	15,192	37,949	15,192
<b>Total income</b>		<b>74,161</b>	<b>55,503</b>	<b>73,112</b>	<b>54,373</b>
<b>Expenses</b>					
Property expenses		9,095	9,507	9,095	9,507
Finance costs	3	1,232	2,187	1,373	2,187
Corporate and administration expenses		4,286	3,884	3,208	4,279
Acquisition expenses		-	7	-	-
<b>Total expenses</b>		<b>14,613</b>	<b>15,584</b>	<b>13,677</b>	<b>15,973</b>
<b>Profit before tax</b>		<b>59,548</b>	<b>39,918</b>	<b>59,434</b>	<b>38,399</b>
Income tax (expense)/benefit		(3)	(429)	-	-
<b>Net profit for the period</b>		<b>59,546</b>	<b>39,489</b>	<b>59,434</b>	<b>38,399</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>59,546</b>	<b>39,489</b>	<b>59,434</b>	<b>38,399</b>
<b>Profit and total comprehensive income attributable to:</b>					
Company shareholders		111	1,090	-	-
Trust unitholders		58,278	36,297	58,278	36,297
Profit and total comprehensive income attributable to ordinary securityholders		58,389	37,387	58,278	36,297
External non-controlling interests - GDI No. 42 Office Trust		1,156	2,102	1,156	2,101
<b>Profit and total comprehensive income</b>		<b>59,546</b>	<b>39,489</b>	<b>59,434</b>	<b>38,399</b>
Basic earnings per stapled security/trust unit		10.78	6.94	10.76	6.74
Diluted earnings per stapled security/trust unit		10.71	6.91	10.69	6.70

The accompanying notes form part of these financial statements.

# GDI PROPERTY GROUP

## FINANCIAL REPORT

As at 31 December 2019

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GDI		Trust	
		31 December 2019 \$'000	30 June 2019 \$'000	31 December 2019 \$'000	30 June 2019 \$'000
<b>Current assets</b>					
Cash and cash equivalents		13,719	18,775	13,108	17,202
Trade and other receivables		3,321	2,819	3,983	1,908
Non-current assets held for sale	4	102,268	-	102,268	-
Other assets	5	15,878	2,574	14,262	3,224
<b>Total current assets</b>		<b>135,186</b>	<b>24,169</b>	<b>133,621</b>	<b>22,335</b>
<b>Non-current assets</b>					
Investment properties	6	712,799	773,259	712,799	773,259
Plant and equipment		75	83	-	-
Deferred tax assets		1,146	1,149	-	-
Intangible assets		18,110	18,110	-	-
<b>Total non-current assets</b>		<b>732,130</b>	<b>792,601</b>	<b>712,799</b>	<b>773,259</b>
<b>Total assets</b>		<b>867,316</b>	<b>816,769</b>	<b>846,419</b>	<b>795,593</b>
<b>Current liabilities</b>					
Trade and other payables		26,303	26,303	25,407	25,005
Provisions		364	289	-	-
<b>Total current liabilities</b>		<b>26,667</b>	<b>26,592</b>	<b>25,407</b>	<b>25,005</b>
<b>Non-current liabilities</b>					
Borrowings	7	80,815	69,128	80,815	68,986
Provisions		184	163	-	-
Other liabilities		11	11	-	-
<b>Total non-current liabilities</b>		<b>81,010</b>	<b>69,301</b>	<b>80,815</b>	<b>68,986</b>
<b>Total liabilities</b>		<b>107,677</b>	<b>95,893</b>	<b>106,222</b>	<b>93,991</b>
<b>Net assets</b>		<b>759,639</b>	<b>720,876</b>	<b>740,197</b>	<b>701,602</b>
<b>Equity</b>					
Contributed equity		22,382	22,301	504,056	502,262
Reserves		169	193	3,732	4,269
Retained profits		(3,110)	(3,221)	207,677	170,414
<b>Equity attributable to equity holders of the Company/ Trust</b>		<b>19,442</b>	<b>19,274</b>	<b>715,465</b>	<b>676,945</b>
<b>Non-controlling interests</b>					
<b>Unitholders of the Trust</b>					
Contributed equity		504,056	502,262	-	-
Reserves		3,732	4,269	-	-
Retained profits		207,677	170,414	-	-
<b>Total equity attributable to trust unitholders</b>		<b>715,465</b>	<b>676,945</b>	<b>-</b>	<b>-</b>
<b>Equity attributed to holders of stapled securities</b>		<b>734,907</b>	<b>696,218</b>	<b>-</b>	<b>-</b>
<b>External non-controlling interest</b>					
Contributed equity		36,890	36,890	36,890	36,890
Retained profits		16	(59)	16	(59)
Return of capital		(12,174)	(12,174)	(12,174)	(12,174)
<b>Total equity attributable to non-controlling interest - GDI No. 42 Office Trust</b>		<b>24,732</b>	<b>24,657</b>	<b>24,732</b>	<b>24,657</b>
<b>Total equity</b>		<b>759,639</b>	<b>720,876</b>	<b>740,197</b>	<b>701,602</b>

The accompanying notes form part of these financial statements.

## GDI PROPERTY GROUP

### FINANCIAL REPORT

As at 31 December 2019

#### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to securityholders of GDI				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 2018	22,214	194	(3,143)	19,265	635,153	36,160	690,578
<b>Comprehensive income</b>							
Profit for the period	-	-	1,090	1,090	36,297	2,102	39,489
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1,090</b>	<b>1,090</b>	<b>36,297</b>	<b>2,102</b>	<b>39,489</b>
<b>Transactions with securityholders in their capacity as securityholders</b>							
Security-based payments expense	-	56	-	56	1,234	-	1,290
Issued equity	89	(89)	-	-	-	-	-
On market buy-back	(2)	-	-	(2)	(39)	-	(41)
Distributions paid/payable	-	-	-	-	(20,909)	(1,614)	(22,523)
<b>Total transactions with securityholders in their capacity as securityholders</b>	<b>87</b>	<b>(33)</b>	<b>-</b>	<b>54</b>	<b>(19,714)</b>	<b>(1,614)</b>	<b>(21,274)</b>
<b>Balance as at 31 December 2018</b>	<b>22,301</b>	<b>161</b>	<b>(2,053)</b>	<b>20,409</b>	<b>651,737</b>	<b>36,648</b>	<b>708,793</b>
Balance as at 1 July 2019	22,301	193	(3,221)	19,274	676,945	24,657	720,876
<b>Comprehensive income</b>							
Profit for the period	-	-	111	111	58,278	1,156	59,546
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>111</b>	<b>111</b>	<b>58,278</b>	<b>1,156</b>	<b>59,546</b>
<b>Transactions with securityholders in their capacity as securityholders</b>							
Security-based payments expense	-	57	-	57	1,257	-	1,314
Issued equity	81	(81)	-	-	-	-	-
On market buy-back	-	-	-	-	-	-	-
Distributions paid/payable	-	-	-	-	(21,015)	(1,081)	(22,097)
<b>Total transactions with securityholders in their capacity as securityholders</b>	<b>81</b>	<b>(24)</b>	<b>-</b>	<b>57</b>	<b>(19,758)</b>	<b>(1,081)</b>	<b>(20,783)</b>
<b>Balance as at 31 December 2019</b>	<b>22,382</b>	<b>169</b>	<b>(3,110)</b>	<b>19,442</b>	<b>715,465</b>	<b>24,732</b>	<b>759,639</b>

The accompanying notes form part of these financial statements.

**GDI PROPERTY GROUP**  
**FINANCIAL REPORT**

As at 31 December 2019

	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 2018	500,335	4,279	130,539	635,153	36,160	671,313
<b>Comprehensive income</b>						
Profit for the period	-	-	36,297	36,297	2,102	38,399
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>36,297</b>	<b>36,297</b>	<b>2,102</b>	<b>38,399</b>
<b>Transactions with unitholders in their capacity as unitholders</b>						
Security-based payments expense	-	1,234	-	1,234	-	1,234
Issued equity	1,966	(1,966)	-	-	-	-
On market buy-back	(39)	-	-	(39)	-	(39)
Distributions paid/payable	-	-	(20,909)	(20,909)	(1,614)	(22,523)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>1,927</b>	<b>(732)</b>	<b>(20,909)</b>	<b>(19,714)</b>	<b>(1,614)</b>	<b>(21,328)</b>
<b>Balance as at 31 December 2018</b>	<b>502,263</b>	<b>3,547</b>	<b>145,927</b>	<b>651,737</b>	<b>36,648</b>	<b>688,384</b>
Balance as at 1 July 2019	502,263	4,269	170,414	676,945	24,657	701,602
<b>Comprehensive income</b>						
Profit for the period	-	-	58,278	58,278	1,156	59,434
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>58,278</b>	<b>58,278</b>	<b>1,156</b>	<b>59,434</b>
<b>Transactions with unitholders in their capacity as unitholders</b>						
Security-based payments expense	-	1,257	-	1,257	-	1,257
Issued equity	1,793	(1,793)	-	-	-	-
On market buy-back	-	-	-	-	-	-
Distributions paid/payable	-	-	(21,015)	(21,015)	(1,081)	(22,097)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>1,793</b>	<b>(536)</b>	<b>(21,015)</b>	<b>(19,758)</b>	<b>(1,081)</b>	<b>(20,839)</b>
<b>Balance as at 31 December 2019</b>	<b>504,056</b>	<b>3,732</b>	<b>207,677</b>	<b>715,465</b>	<b>24,732</b>	<b>740,197</b>

The accompanying notes form part of these financial statements.

**GDI PROPERTY GROUP****FINANCIAL REPORT**

For the six-month period ended 31 December 2019

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	GDI		Trust	
	2019	2018	2019	2018
Half year ended 31 December	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts in the course of operations	39,321	38,012	36,694	35,828
Payments in the course of operations	(12,948)	(12,381)	(8,257)	(10,674)
Interest received	45	111	40	105
Interest paid	(1,007)	(1,879)	(1,007)	(1,879)
<b>Net cash inflow from operating activities</b>	<b>25,412</b>	<b>23,863</b>	<b>27,470</b>	<b>23,380</b>
<b>Cash flows from investing activities</b>				
Payments for investments	(9,701)	-	-	-
Payments for other capitalised costs	(2,898)	(46)	(2,896)	(43)
Payments for capital expenditure	(4,340)	(8,976)	(4,340)	(8,976)
Payment of tenant incentives and leasing costs	(3,151)	(3,633)	(3,151)	(3,633)
Loan to associated entities	-	(1,968)	(19,225)	(687)
Repayment of loans to associated entities		425	8,425	330
<b>Net cash used in investing activities</b>	<b>(20,090)</b>	<b>(14,198)</b>	<b>(21,186)</b>	<b>(13,008)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	11,622	1,005	11,622	1,005
Repayment of borrowings	-	-	-	-
Payments for the on-market buy-back of securities	-	(41)	-	(39)
Payment of loan transaction costs	(9)	-	(9)	-
Payment of distributions to securityholders/unitholders	(21,990)	(22,410)	(21,990)	(22,410)
<b>Net cash from financing activities</b>	<b>(10,377)</b>	<b>(21,445)</b>	<b>(10,377)</b>	<b>(21,444)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(5,055)</b>	<b>(11,780)</b>	<b>(4,094)</b>	<b>(11,072)</b>
Cash and cash equivalents at beginning of period	18,775	22,361	17,202	20,873
<b>Cash and cash equivalents at the end of the period</b>	<b>13,719</b>	<b>10,581</b>	<b>13,108</b>	<b>9,801</b>

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 2019

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#### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GDI Property Group (“GDI”) 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. The 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 the 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 24 February 2020 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 2019 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 half year financial report is intended to provide users with an update on the latest annual financial statements of the 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 the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the financial year ended 30 June 2019, 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 GDI. 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 GDI, despite the fact that such owners also have an equal interest in the Company.

#### (c) New accounting policies

*AASB 16 Leases (applicable to annual reporting periods beginning on or after 1 January 2019)*

AASB16 requires recognition of a right-of-use asset along with the associated lease liability where the entity is a lessee. An interest expense will be recognised in the profit or loss using the effective interest rate method, and the right-of use asset will be depreciated. Lessor accounting will largely remain unchanged.

## **GDI PROPERTY GROUP**

### **NOTES TO THE FINANCIAL STATEMENTS**

For the six-month period ended 31 December 2019

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AASB16 will not have a material impact on the Group as the only leases GDI has entered in to as a lessee are for its Head Office premises and a photocopier. Further, as the remaining term of the Head Office lease is for less than 12 months, the right to use asset and liability is nil.

#### **(d) Accounting policies**

The same accounting policies and methods of computation have been followed in this half year 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 2019

#### NOTE 2 – PROPERTY REVENUE

Half year ended 31 December	GDI		Trust	
	2019	2018	2019	2018
Property revenue	\$'000	\$'000	\$'000	\$'000
Rent and recoverable outgoings	38,129	39,993	38,149	40,013
Amortisation of leasing costs and incentives	(3,027)	(2,242)	(3,027)	(2,242)
<b>Total property revenue</b>	<b>35,103</b>	<b>37,751</b>	<b>35,123</b>	<b>37,771</b>

#### NOTE 3 – FINANCE COSTS

Half year ended 31 December	GDI		Trust	
	2019	2018	2019	2018
Finance costs	\$'000	\$'000	\$'000	\$'000
Interest paid / payable	1,232	2,187	1,373	2,187
<b>Total finance costs</b>	<b>1,232</b>	<b>2,187</b>	<b>1,373</b>	<b>2,187</b>

#### NOTE 4 – NON-CURRENT ASSETS HELD FOR SALE

During 2019, GDI engaged the services of real estate agents to market 50 Cavill Avenue, Surfers Paradise for sale. Accordingly, the property has been classified as a Non-current asset held for sale in the 31 December 2019 financial statements. If 50 Cavill Avenue is sold, the strata unit at 46 Cavill Avenue, Surfers Paradise, would be considered non-core and accordingly, that asset has also been classified as a Non-current asset held for sale.

Assets held for sale	GDI		Trust	
	31 December	30 June	31 December	30 June
	2019	2019	2019	2019
	\$'000	\$'000	\$'000	\$'000
Investment properties	102,268	-	102,268	-
<b>Total assets held for sale</b>	<b>102,268</b>	<b>-</b>	<b>102,268</b>	<b>-</b>

#### NOTE 5 – OTHER ASSETS

##### a) GDI

Other assets includes:

- the Call Option fee and associated due diligence costs relating to the acquisition of the Portfolio of assets by GDI No. 46 Property Trust (\$8,363,000);
- the deposit and associated due diligence costs relating to GDI No. 45 Property Trust's conditional contract to acquire 180 Hay Street, Perth (\$1,338,000);
- capitalised costs relating to the proposed development on the excess land at Westralia Square (\$1,581,000); and
- capitalised costs relating to the proposed development at 1 Mill Street, Perth (\$78,000)

##### b) Trust

Other assets includes:

- the loan from the Trust to GDI No. 46 Property Trust (\$8,000,000) to enable it to fund the Call Option fee;
- capitalised costs relating to the proposed development on the excess land at Westralia Square (\$1,581,000); and
- capitalised costs relating to the proposed development at 1 Mill Street, Perth (\$78,000).

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

#### NOTE 6 – INVESTMENT PROPERTIES

	GDI		Trust	
	31 December 2019	30 June 2019	31 December 2019	30 June 2019
<b>a) Investment properties at fair value</b>	\$'000	\$'000	\$'000	\$'000
<i>Movement in investment properties</i>				
Balance at beginning of the year	773,259	722,042	773,259	722,042
Assets transferred to non-current assets held for sale	(102,268)	-	(102,268)	-
Capital works				
- Property improvements	1,812	9,077	1,812	9,077
- Maintenance capital (GDI Property Trust)	2,153	3,882	2,153	3,882
- Maintenance capital (GDI No. 42 Office Trust)	350	791	350	791
Straight lining of rental income	(457)	(330)	(457)	(330)
Leasing costs	1,217	1,487	1,217	1,487
Amortisation of leasing costs	(427)	(713)	(427)	(713)
Net gain/(loss) from fair value adjustments	37,949	36,011	37,949	36,011
Incentives paid (GDI Property Trust)	1,934	5,051	1,934	5,051
Incentives paid (GDI No. 42 Office Trust)	-	700	-	700
Capitalised outstanding incentive liability	(124)	(474)	(124)	(474)
Amortisation of incentives (GDI Property Trust)	(2,557)	(4,070)	(2,557)	(4,070)
Amortisation of incentives (GDI No. 42 Office Trust)	(43)	(196)	(43)	(196)
<b>Balance</b>	<b>712,799</b>	<b>773,259</b>	<b>712,799</b>	<b>773,259</b>

#### 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.

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

<i>Valuation basis</i>	31 December 2019	30 June 2019
Occupancy <sup>1,2</sup> (% of NLA)	84.9%	84.8%
Weighted average lease expiry by area <sup>1,2</sup> (years)	2.8 years	2.4 years
Weighted average capitalisation rate <sup>1,3</sup> (%)	6.92%	7.02%

1. Including 50 Cavill Avenue, Surfers Paradise (non-current asset held for sale), 235 Stanley Street, Townsville and heads of agreement

2. Based on NLA

3. Weighted average by property valuation

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 assumption of 50%.

#### c) Assets pledged as security

Borrowings (refer Note 7) are secured by General Security Agreement (GSA) over each entity 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 2019

**d) Details of investment properties**

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

	Title	Acquisition date	Acquisition price \$'000	Independent valuation date	Independent valuation \$'000	Carrying amount 31 December 2019 \$'000	Fair value adjustment \$'000
<b>Investment properties</b>							
Mill Green Complex, Perth	Freehold	16 December 2013	332,656	31 December 2019	343,000	343,000	9,049
235 Stanley Street, Townsville	Freehold	16 June 2016	53,500	30 June 2019	53,500	53,799	-
141 St Georges Terrace, Perth	Freehold	27 October 2017	216,250	31 December 2019	316,000	316,000	28,900
<b>Total Investment properties</b>			<b>602,406</b>		<b>712,500</b>	<b>712,799</b>	<b>37,949</b>
<b>Assets transferred to non-current assets held for sale</b>							
50 Cavill Avenue, Surfers Paradise	Freehold	1 February 2016	46,139	31 December 2018	100,000	101,028	-
Unit 38, 46 Cavill Ave, Surfers Paradise	Strata	12 August 2016	1,240	-	-	1,240	-
<b>Total</b>			<b>649,785</b>		<b>812,500</b>	<b>815,066</b>	<b>37,949</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

#### NOTE 7 – BORROWINGS

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

Interest bearing liabilities – non-current	GDI		Trust	
	31 December 2019 \$'000	30 June 2019 \$'000	31 December 2019 \$'000	30 June 2019 \$'000
<b>Borrowings</b>				
<i>Secured liabilities:</i>				
Loans - financial institutions	81,000	69,379	81,000	69,379
Transaction costs	(185)	(251)	(185)	(392)
<b>Total borrowings</b>	<b>80,815</b>	<b>69,128</b>	<b>80,815</b>	<b>68,986</b>

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

Borrowing details			Facility	Utilised	Unutilised
Facility	Secured	Maturity date	\$'000	\$'000	\$'000
Facility Tranche B <sup>1</sup>	Yes	January 2021	60,000	32,500	27,500
Facility Tranche C <sup>1</sup>	Yes	January 2021	75,000	38,500	36,500
Bank Bill Business Loan <sup>2</sup>	Yes	June 2022	11,500	10,000	1,500
			<b>146,500</b>	<b>81,000</b>	<b>65,500</b>
Facility Tranche D <sup>3</sup>	Yes	January 2021	5,000	-	-
<b>Total facility</b>			<b>151,500</b>	<b>81,000</b>	<b>65,500</b>

- The principle facility is secured by first registered mortgage over the wholly owned investment properties, held by GDI and a registered GSA over the assets of GDI. 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 bank bill business loan is secured by the asset of GDI No. 42 Office Trust, namely 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 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 2019.

##### b) Distributions paid/payable by the GDI/Trust

Distributions paid / payable by the Group / Trust	GDI	Trust
	Half year ended December 2019 cents/security	Half year ended December 2019 cents/unit
31 August 2019	3.875	3.875
28 February 2020	3.875	3.875

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

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#### NOTE 9 – SEGMENT REPORTING

##### a) Identification of reportable segments

###### GDI

The Chief Operating Decision Maker (CODM) has been identified as the Board of Directors as they are responsible for the strategic decision making within GDI. The following summary describes the operations in each of the GDI'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 GDI. GDI'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 2019

#### b) Segment information

##### (i) Segment performance

	Property	Funds management	Reviewed but unallocated	Total
Half year ended 31 December 2019	\$'000	\$'000	\$'000	\$'000
<b>Operating earnings</b>				
Net property income	26,007	-	-	26,007
Funds Management income	-	1,064	-	1,064
Other income	-	-	-	-
<b>Total operating earnings</b>	<b>26,007</b>	<b>1,064</b>	<b>-</b>	<b>27,072</b>
<b>FFO adjustments</b>				
Straight-lining rental income	457	-	-	457
Amortisation and depreciation	3,027	-	10	3,037
Adjustment for GDI No. 42 Office Trust	(2,458)	943	4	(1,511)
<b>FFO pre corporate, administration and interest expenses / income</b>	<b>27,033</b>	<b>2,008</b>	<b>14</b>	<b>29,054</b>
<b>+/- corporate, administration and interest expense / income</b>				
Interest paid	(1,000)	-	-	(1,000)
Interest income	39	5	-	45
Corporate and administration expenses	(3,205)	-	(1,081)	(4,286)
Income tax (expense)/benefit	-	(3)	-	(3)
<b>Total FFO</b>	<b>22,868</b>	<b>2,010</b>	<b>(1,067)</b>	<b>23,811</b>
<b>+/- AIFRS adjustments from FFO to profit after tax from ordinary activities</b>				
Net fair value gain of investment properties	37,949	-	-	37,949
Straight-lining rental income	(457)	-	-	(457)
Amortisation of leasing fees and incentives	(3,027)	-	-	(3,027)
Amortisation of loan establishment costs	(75)	-	-	(75)
Depreciation	-	-	(10)	(10)
Adjustment for GDI No. 42 Office Trust	2,297	(943)	-	1,354
<b>Profit after tax from ordinary activities</b>	<b>59,556</b>	<b>1,067</b>	<b>(1,078)</b>	<b>59,546</b>

	Property	Funds management	Reviewed but unallocated	Total
Half year ended 31 December 2018	\$'000	\$'000	\$'000	\$'000
<b>Operating earnings</b>				
Net property income	28,244	-	-	28,244
Funds Management income	-	1,144	-	1,144
Other income	926	-	2	928
<b>Total operating earnings</b>	<b>29,170</b>	<b>1,144</b>	<b>2</b>	<b>30,316</b>
<b>FFO adjustments</b>				
Straight-lining rental income	(67)	-	-	(67)
Amortisation and depreciation	2,242	-	8	2,250
Adjustment for GDI No. 42 Office Trust	(4,820)	1,435	7	(3,378)
<b>FFO pre corporate, administration and interest expenses / income</b>	<b>26,525</b>	<b>2,579</b>	<b>17</b>	<b>29,121</b>
<b>+/- corporate, administration and interest expense / income</b>				
Interest paid	(1,436)	-	-	(1,436)
Interest income	104	6	-	110



## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

Corporate and administration expenses	(1,272)	-	(2,611)	(3,884)
Income tax (expense)/benefit	-	(429)	-	(429)
<b>Total FFO</b>	<b>23,921</b>	<b>2,156</b>	<b>(2,594)</b>	<b>23,483</b>
Net fair value gain on interest rate swaps	377	-	-	377
Net fair value gain of investment properties	15,192	-	-	15,192
Straight-lining rental income	67	-	-	67
Amortisation of leasing fees and incentives	(2,242)	-	-	(2,242)
Amortisation of loan establishment costs	(148)	-	-	(148)
Depreciation	-	-	(8)	(8)
Adjustment for GDI No. 42 Office Trust	4,211	(1,435)	-	2,776
Acquisition Costs	(7)	-	-	(7)
<b>Profit after tax from ordinary activities</b>	<b>41,371</b>	<b>721</b>	<b>(2,602)</b>	<b>39,489</b>

#### (ii) Segment assets and liabilities

	Property	Funds	Reviewed but	Total
	\$'000	management	unallocated	\$'000
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2019</b>				
<b>Segment assets and liabilities</b>				
Total assets	822,920	44,396	-	867,316
Total liabilities	(101,870)	(5,807)	-	107,677
<b>Net assets</b>	<b>721,050</b>	<b>38,589</b>	<b>-</b>	<b>759,639</b>
<b>As at 30 June 2019</b>				
<b>Segment assets and liabilities</b>				
Total assets	772,225	44,545	-	816,769
Total liabilities	(89,576)	(6,317)	-	(95,893)
<b>Net assets</b>	<b>682,648</b>	<b>38,228</b>	<b>-</b>	<b>720,876</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

#### NOTE 10 – FAIR VALUE MEASUREMENTS

##### a) Valuation techniques

GDI 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 GDI 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, GDI 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 2019		30 June 2019	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets at amortised cost</b>				
Cash and cash equivalents	13,719	13,719	18,775	18,775
Trade and other receivables	3,321	3,321	2,819	2,819
<b>Total financial assets</b>	<b>17,041</b>	<b>17,041</b>	<b>21,594</b>	<b>21,594</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	26,303	26,303	26,303	26,303
Provisions	548	548	451	451
Borrowings	80,815	80,815	69,128	69,128
<b>Total financial liabilities</b>	<b>107,666</b>	<b>107,666</b>	<b>95,883</b>	<b>95,883</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

#### c) Fair value hierarchy

GDI 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.

GDI 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 GDI's and the 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 2019			As at 30 June 2019		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>						
<i>Non-financial assets</i>						
- Investment properties	-	712,799	-	-	773,259	-
- Non-current asset held for sale	-	102,268	-	-	-	-
<b>Total non-financial assets recognised at fair value on a recurring basis</b>	-	<b>815,066</b>	-	-	<b>773,259</b>	-

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2019

#### Valuation techniques and inputs used to measure Level 2 Fair Values

	31 December 2019 \$'000	30 June 2019 \$'000	Valuation technique	Inputs Used
<b>Non-financial assets</b>				
Investment properties <sup>1</sup>	712,799	773,259	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
Non-current assets held for sale	102,268	-	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 GDI's investment properties and non-current assets held for sale 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

There was no change in the contingent liabilities of GDI and the Trust as at 31 December 2019 since the last annual reporting period.

#### NOTE 12 – EVENTS AFTER THE REPORTING DATE

On 14 February 2020, GDI No. 46 Property Trust, via a series of controlled sub-trusts, completed the \$98.0 million acquisition of the portfolio of 17 high profile car dealerships and service centres located on major arterial roads in metropolitan Perth. GDI No. 46 Property Trust successfully raised approximately \$76.0 million from investors, with GDI Property Trust holding approximately 48% of the units on issue.

## DIRECTORS' DECLARATION

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**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 2019**

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 8 to 24 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 2019 and of the performance for the half year ended on that date;
  
- (b) there are reasonable grounds to believe that GDI 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.



Gina Anderson  
Chairman

Dated this 24<sup>th</sup> day of February 2020

**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 2019, 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 2019 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**

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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 2019 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: 24 February 2020