

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 2022.

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 2022 to 31 December 2022.

3. Highlights of the results

	December 2022	December 2021
	\$'000	\$'000
Revenue from ordinary activities	32,125	28,919
Comprehensive net profit attributable to securityholders after tax	(106)	37,874
Funds from operations (FFO ¹)	14,094	15,376
Distribution to security holders	13,290	20,850
	Cents	cents
Funds from operations per security	2.643	2.845
Distributions per security	2.500	3.875
Payout ratio		
- Distributions as a % of FFO	94%	136%
- Distributions as a % of AFFO ²	180%	182%
Basic earnings per security ³	(0.02)	7.01
Diluted earnings per security ³	(0.02)	6.96

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 2022 \$'000	June 2022 \$'000
Total assets	1,081,466	1,059,384
Total borrowings	299,828	246,210
Securityholders equity	682,168	697,264
Market capitalisation	380,089	486,745
	December 2022	June 2022
Net tangible assets per security (\$)	1.25	1.27
Security price (\$)	0.715	0.910
Securities on issue	531,592,363	534,884,465
Weighted average securities on issue	533,233,989	538,719,530

4. Commentary on the results

Refer to the Directors' Report of the 31 December 2022 half yearly financial report for a commentary on the results of 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
FY22 final – paid 31 August 2022	3.875	20,727	-
FY23 interim – declared 9 December 2022	2.500	13,290	-

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 2022 has been reviewed by the auditors for GDI.

A copy of the GDI half yearly financial report for the six months ended 31 December 2022, with the auditor's review conclusion, has been lodged with the ASX.

GDI Property Group

GDI Property Group Limited
ACN 166 479 189

Half Yearly Financial Report
31 December 2022

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 2022

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 2022. 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
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 GDI's total return, calculated as the movement in net tangible assets ("NTA") per security plus distributions per security. 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 2022 is as follows:

	GDI	
	31 December 2022	31 December 2021
	\$'000	\$'000
Total comprehensive income for the year	1,450	40,115
Portfolio acquisition and other transaction costs	10	3,598
Contribution resulting from consolidated trusts	(4,515)	(4,894)
Distributions/funds management fees received from consolidated trusts	2,157	2,087
Straight lining adjustments	518	503
Amortisation of leasing fees and incentives	3,972	4,398
Amortisation of loan establishment costs	157	326
Depreciation	9	7
Net fair value (gain) / loss on investment property	9,442	(22,263)
Net fair value (gain) / loss on interest rate swaps	772	(666)
(Profit) / loss on sale of investment property	122	(7,834)
Funds From Operations	14,094	15,376
	Cents	Cents
Funds From Operations per stapled security	2.643	2.845

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six-month period ended 31 December 2022

2.1 (a) Property business

Perth office market

Perth began the period emerging from two years of closed borders followed by two months of its first COVID wave. Although business conditions appeared on the surface to be healthy, business leaders seemed reluctant to commit to new projects or contracts, including leases. At our portfolio, leasing enquiries were at levels we had not previously seen, necessitating the requirement to employ another asset and leasing manager. Nevertheless, the levels of enquiry did not translate to anywhere near the same levels of executed leases during the six-month period ended 31 December 2022. However, in late 2022 and early 2023 we've seen a significant increase in the execution of firstly Heads of Agreement, and subsequently, leases. Since 1 July 2022 we've signed either new leases, lease renewals or Heads of Agreement for over 20,000sqm of space, with approximately half of this occurring since December 2022. Further details of our leasing activity are provided below.

Our leasing momentum is reflective of the overall Perth market statistics. In Q4 2022, Perth recorded net absorption of 4,400sqm, its fifth consecutive quarter of positive net absorption, resulting in the overall market vacancy rate decreasing to 15.6%. Although incentives have remained stubbornly high, with robust economic conditions supporting future demand for office space, it is anticipated that Perth will experience an accelerated decrease in the level of incentives offered, resulting in a similar increase in effective rents.

Development

In the second half of 2021 we commenced construction of a new development on vacant land at Westralia Square. WS2 is an approximately 9,500sqm office building constructed from a combination of steel and timber on top of an existing carpark. The steel and timber materials, together with the adaptive use of the existing concrete carpark, makes WS2's construction one of the most environmentally efficient new buildings of its scale in Australia. Unfortunately, we had anticipated that WS2 would have been completed by the end of 2022. However, we and our builder, Built, were not immune from the well-publicised delays construction projects experienced in 2022 due to COVID outbreaks, supply constraints and inclement weather. An occupation certificate is imminent, meaning signed Heads of Agreements will soon be able to be converted to executed leases.

As previously disclosed, we received a development approval for a new approximately 47,000sqm office building at 1 Mill Street in 2021, which would have required the demolition of the existing building. We formed the opinion that rising construction costs and the potential for higher capitalisation rates meant that the net rent required to support the commencement of the development was unlikely to be achieved. The significant interest from the occupier market in the embodied carbon savings in WS2, together with the comparatively lower costs of construction of a steel and timber building versus a concrete equivalent and its quicker construction time, meant that we reconsidered the development plans for 1 Mill Street. In late 2022 we lodged a new development application for an approximately 33,500sqm building, incorporating the existing 6,600sqm building and adding a further approximately 27,000sqm constructed from steel and timber. Development approval for this second scheme was received on 23 January 2023.

At our Wellington Street carpark, we have taken a similar approach to WS2 and the second scheme for 1 Mill Street and lodged a development application for an approximately 28,000sqm office tower constructed from steel and timber that sits on top of the existing carpark. Under the scheme, most of the existing car bays are converted to residential accommodation. This proposed development will not only conserve the existing concrete structure but also minimise the use of concrete in the new office component, and it is expected to achieve an even larger benefit in terms of embodied carbon than WS2. A development application has been lodged and we anticipate responding to a number of tenant briefs before the end of FY23.

Leasing

We are extremely pleased that we've made significant progress with leasing and releasing our assets since 30 June 2022. At Westralia Square, included Heads of Agreement, occupancy has increased to 88%, up from 78% at 30 June 2022, with the signing of a new Heads of Agreement for approximately 3,100sqm over level 17 and most of level 18. Subject to execution of a lease, this now leaves only levels 16 (fitted out) and 19, and a small suite on level 18, vacant.

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DIRECTORS' REPORT

For the six-month period ended 31 December 2022

At WS2, we have now signed two Heads of Agreement for five of the 11 floors. Both tenants (one two floor and one three floor) have late 2023 lease commencement dates. We anticipate an acceleration of interest now that prospective tenants can inspect the building.

We have had similar success at Mill Green, Perth. At 5 Mill Street, including Heads of Agreement, occupancy has increased to 92%, up from 83% at 30 June 2022. This includes a tenant having signed a Heads of Agreement over all of level 4. This floor had been vacant for over two years, but by the end of 2022 had three prospective tenants interested in it. There are now only three vacant suites at 5 Mill Street.

Following the departures of Jacobs (Worley) from four upper floors in November 2021, and AMEC from 7,341sqm over seven-lower levels in the second half of 2022, 197 St Georges Terrace has become a releasing story. Since 30 June 2022, we have either leased, renewed, or signed Heads of Agreement for over 7,000sqm of NLA, and are negotiating with two more whole floor tenants. With most of the vacancies either having existing or new fitouts, or fitouts that can be repurposed, we are confident that we can make a significant dent in the current vacancy by the end of 2023. Occupancy, including signed Heads of Agreement, is now 65%, up from 61% at 30 June 2022.

At our only other wholly owned office asset, 180 Hay Street, Perth, we have had some interest from single floor and whole of building tenants, but at this stage nothing has progressed to warrant further discussion. The refurbishment works are now complete, and the asset presents as new, so we remain hopeful of a successful leasing transaction as the Perth market continues to improve.

Finally, at 235 Stanley Street, Townsville (Stanley Place), we have signed a Heads of Agreement with a three floor tenant for approximately 3,000sqm of NLA, leaving only one full floor and a small suite vacant. Including this Heads of Agreement, occupancy at Stanley Place is now 89%, up from 59% at 30 June 2022.

Carparks

As stated with the release of our annual results in August, the two Perth CBD carparks purchased in December 2021 underperformed against budgets in April and May 2022 following the re-opening of WA to the rest of the country and the inevitable COVID-19 wave that Perth experienced. The performance of both carparks now appears to have recovered with occupancy and revenues exceeding both budgets and acquisition assumptions.

Funds from operation

GDI's largest asset by capital value is Westralia Square, 141 St Georges Terrace, Perth. Its contribution to FFO increases with occupancy, with FFO for the period \$8.6 million, a significant increase from the prior corresponding period (\$5.6 million). All costs, including interest, that relate to the development of WS2 are capitalised and not included in FFO.

At GDI's second largest asset, the three building Mill Green complex, FFO decreased significantly from the previous corresponding period to \$8.6 million (from \$11.2 million) following the departures of Jacobs from four upper floors of 197 St Georges Terrace in November 2021, and AMEC's departure from levels 2,4-8 (4,960sqm), also in 197 St Georges Terrace, in July 2022. As occupancy at both 197 St Georges Terrace and 5 Mill Street is trending upwards, we expect the contribution to FFO from Mill Green to also trend upwards. As previously disclosed, we are not looking at any immediate long-term leasing of 1 Mill Street given its redevelopment potential, and accordingly, it has and will continue to have until the commencement of a development a negative contribution to FFO, being its holding costs of approximately \$0.2 million for the period.

The holding costs of 180 Hay Street, Perth, also act as a drag on FFO. During the period its contribution to FFO was (\$0.2 million), similar to the previous corresponding period.

As discussed above, the performance of both carparks has recovered from the lows of April and May 2022, with FFO for the period of \$2.1 million, compared to \$1.3 million in the first half of 2022.

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For the six-month period ended 31 December 2022

Capital transactions

During the period we engaged agents to assess the market for 180 Hay Street, Perth. Given the global uncertainty around interest rates and the fact that 180 Hay Street was empty, it was determined that there was not sufficient depth in the buyer market to continue with any sales programme.

We did however sell the strata suite at 46 Cavill Avenue, Surfers Paradise, that was classified as a non-current asset held for sale. The sale resulted in a small loss of \$0.1 million.

Valuations

All wholly owned assets were independently valued during the period. Westralia Square was revalued to \$382.0 million, up from a previous independent valuation of \$372.5 million. The new valuation does not include any value for the excess land on which WS2 is being constructed, whereas the previous valuation included a value for the land of approximately \$9.3 million. The increase in valuation is predominately a result of higher assumed rents and higher occupancy. The capitalisation rate of Westralia Square was steady at 6.0%.

As WS2 is still under construction it is carried at the costs incurred to date. However, on completion, it is anticipated that there will be an approximately \$20.0 - \$25.0 million uplift in valuation, equating to between \$0.04 and \$0.05 cents per security.

The Mill Green complex was revalued to \$301.5 million, down from a 30 June 2022 valuation of \$312.0 million, with all of the devaluation attributed to 197 St Georges Terrace, Perth (\$207.5 million from a previous \$218.0 million). The valuations of 1 Mill Street (\$36.0 million) and 5 Mill Street (\$58.0 million) remained unchanged. The movement in valuation of 197 St Georges Terrace was due to a 25 basis point increase in the capitalisation rate and increased vacancy. The capitalisation rates for both 1 and 5 Mill Street did not change from 30 June 2022, being 8.0% and 7.0% respectively.

180 Hay Street, Perth was also revalued at 31 December 2022, resulting in an increase from its previous valuation to \$20.5 million, up from \$18.4 million when last valued in 31 December 2021. The increase in the valuation is largely explained by a reduction in the forecast capital expenditure budget, with the capital expenditure programme now largely complete.

Both carpark were also independently valued, with both increasing in valuation notwithstanding a 25 basis point increase in the capitalisation rates to 5.25% for both. The valuation of 301-311 Wellington Street increased to \$32.0 million (from \$30.25 million) and 419-431 Murray Street increase to \$42.5 million (from \$38.5 million).

GDI's wholly owned portfolio is now independently valued at \$778.5 million, excluding the development works at WS2.

We also revalued 235 Stanley Street, Townsville (GDI No. 42 Office Trust), resulting in a small decrease in the valuation to \$51.0 million, from a previous \$51.5 million.

Provided in the table below is GDI's portfolio metrics:

	GDI	
	As at 31 December 2022	As at 30 June 2022
Occupancy ^{1,2}	76%	73%
Weighted average lease expiry ^{1,2}	3.4 years	3.1 years
Weighted average capitalisation rate ¹	6.5%	6.5%

1. Excluding 1 Mill Street, WS2, GDI No. 46 Property Trust, GDI No. 47 Trust and GDI No. 48 Trust.

2. Based on NLA and including Heads of Agreement to the date of this report.

2.1 (b) Funds Management

GDI's Funds Management business has a nearly 30-year track record of successfully managing unlisted, unregistered managed investment schemes. Over that time GDI has established nearly 40 unlisted, unregistered managed investment schemes, with over 30 of those now having been terminated. To date, no unlisted, unregistered managed investment scheme

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For the six-month period ended 31 December 2022

has returned a negative Internal Rate of Return ('IRR'). Our successful track record is partly a result of our disciplined approach to acquisition opportunities and we will continue to review opportunities cautiously. Although we reviewed numerous acquisition opportunities during the period, we did not secure any properties to establish any new unlisted, unregistered managed investment schemes.

The Funds Business delivered FFO before interest and income tax expense of \$3.4 million for the six-month period to 31 December 2022 (31 December 2021: \$3.5 million). A large contributor to this is the distributions received from the consolidated funds, GDI No. 42 Office Trust (\$0.2 million) and GDI No. 46 Property Trust (\$1.5 million), with the balance of FFO largely being ongoing management fees.

2.1 (c) Operating costs

Operating costs predominately relate to remuneration, including an accrual of \$500,000 for staff bonuses and the issue of performance rights in FY23.

2.1 (d) Net interest expense

As at 31 December 2022, GDI's Principal Facility was drawn to \$260.3 million (30 June 2022: \$206.8 million), secured by a security pool independently valued at \$778.5 million, a loan to value ratio (LVR) of 33%. As the independent valuations do not include any value for WS2, it is anticipated that on practical completion and the consequential inclusion of WS2 in the LVR calculations, the LVR will reduce to below 30%.

Including the interest expense of the consolidated trusts, the interest expense for the period totalled \$5.0 million (31 December 2021: \$2.3 million). Although the interest expense of the consolidated trusts is included in the statutory accounts, it is not included in GDI's FFO. The interest expense relating to the construction of WS2 is capitalised for accounting purposes until practical completion.

2.2 Financial position

2.2 (a) Balance sheet

GDI's balance sheet is in a very strong financial position. As at 31 December 2022:

- Net tangible asset (NTA) per security is \$1.25 (30 June 2022: \$1.27)
- NTA per security expected to increase by \$0.04 - \$0.05 on practical completion of WS2;
- Total Principal Facility debt outstanding is \$260.3 million, with undrawn facilities of \$52.7 million to facilitate the completion of WS2 and general working capital requirements; and
- GDI is well within its Principal Facility covenants, with a Covenant Loan to Value ratio of 33% (Covenant 50%) and a Covenant Interest Cover ratio of 3.85X (Covenant of 2X).

2.2 (b) Capital management

GDI's balance sheet is in a strong position with an LVR on the Principal Facility of 33%, below the Board's maximum LVR of 40% and the bank's covenant of 50%

As GDI No. 42 Office Trust and GDI No. 46 Property Trust are both consolidated into the statutory accounts of GDI, their facilities are also shown in GDI's accounts. GDI No. 42 Office Trust has drawn debt of \$10.0 million, 20% of the independent value of the asset held by GDI No. 42 Office Trust, and undrawn debt of \$1.5 million, with an expiry July 2023. GDI No. 46 Property Trust has drawn debt of \$30.0 million, 22.0% of the independent value of the IDOM Portfolio, with an expiry of February 2025.

This strong financial position enabled us to continue the on-market securities buyback to acquire up to 5% of the securities on issue originally announced in March 2020. During the period we bought back and cancelled an additional 3,292,102 securities, taking total securities purchased and cancelled under the buyback programme since March 2020 to 13,179,719 at an average cost of \$1.02 per security. Securities on issue at 31 December 2022 totalled 531,592,363.

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DIRECTORS' REPORT

For the six-month period ended 31 December 2022

2.2 (c) Hedging

During the period, we terminated two \$25.0 million swaps, with the value created on termination used to acquire interest rate protection on \$100.0 million of debt at BBSY of no greater than 3.0% until 31 December 2023, and a further \$50.0 million of debt at BBSY of no greater than 3.0% until 31 December 2024.

As at 31 December, neither GDI No. 42 Office Trust nor GDI No. 46 Property Trust had any interest rate hedges or fixed rate borrowings.

2.3 Post balance date

On 6 February, GDI entered into a call option to acquire the South Hedland Motel (SHM) and the accompanying Lodge Motel (Lodge), for a combined purchased price of \$27.0 million¹. SHM and the Lodge are two separate properties located in the heart of South Hedland. SHM comprises approximately 107 rooms, and the Lodge 135 rooms, with the ability to add up to another 40 rooms at the SHM site. The motels have been run as a combination of a standard motel operation and workforce accommodation.

The acquisition of the SHM and Lodge is part of a broader strategy of investing into and managing workforce accommodation properties. GDI has signed a Term Sheet with Tulla Group to form a 50 / 50 joint venture to own, manage and syndicate 'co-living facilities' (Joint Venture). Tulla Group is the private investment vehicle of the Maloney family, who built The MAC Services Group, a mining accommodation company that was listed on the ASX in April 2007 and sold to Oil States International in December 2010. Tulla Group, through its wholly owned subsidiary Resource Accommodation Pty Limited (RAM), currently own and operate one village at Norseman, Western Australia. It is intended that this facility at Norseman and the SHM and the Lodge will be the seed assets of the Joint Venture. The Joint Venture is subject to formal documentation.

We believe that there is a tremendous opportunity to invest in, own, manage and syndicate mining accommodation facilities. With the expertise of the Tulla Group, the Joint Venture intends to build and acquire accommodation facilities, and once the Joint Venture believes there is sufficient scale and diversity, GDI intends to syndicate the real estate to its network of high-net-worth investors, freeing up capital to invest in further facilities.

Pursuant to the terms of the Term Sheet with Tulla Group, GDI intends to invest \$33.0 million into the Joint Venture. GDI intends to fund this commitment through its debt facility. The Joint Venture will use GDI's investment to fund the settlement of the SHM and the Lodge. Settlement of the SHM and the Lodge, and finalisation of the Joint Venture, is expected on or before 14 April 2023.

1. GDI has paid a call option fee of \$1.35 million, which will be deducted from the purchase price on settlement.

3. Future prospects

GDI's existing portfolio of assets in both the Property business and the Funds Management business provide significant scope for capital appreciation, and the primary focus for CY23 is to continue to implement the asset management initiatives for each of our assets to deliver on this capital appreciation. Specifically, we intend to:

- complete the development of WS2 and the leasing programme at both Westralia Square and WS2;
- secure a pre-commitment for a new development at 1 Mill Street and the Wellington Street carpark;
- complete the leasing programme at 180 Hay Street, Perth; and
- make significant progress with leasing the vacancies at 1 Adelaide Terrace, Perth (GDI No. 36 Perth CBD Office Trust) and 197 St Georges Terrace.

We also intend to complete the acquisition of the SHM and the Lodge, and execute relevant transaction documents with Tulla Group, to finalise the Joint Venture discussed at 2.3 above. We also intend to review further acquisition opportunities for the Joint Venture, and to have at least syndicated one portfolio of workforce accommodation properties.

We will also continue to review acquisition opportunities for the Property business funded by an increase in the size of our Principal Facility, and also for the Funds Management business.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six-month period ended 31 December 2022

4. Distribution guidance

We confirm that it is our intent to pay a cash distribution of not less than 5.00 cents per security for FY23, regardless of our level of FFO, subject to no material change in circumstances or unforeseen events, noting that the cash distribution for the six-month period ended 31 December 2022 was 2.50 cents per security. As with the period ended 31 December 2022, we expect that a proportion of any cash distribution for the second half of FY23 will be paid out of capital.

5. 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.

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 8.

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



Gina Anderson
Chairman



Steve Gillard
Managing Director

Sydney
Dated this 20th day of February 2023

GDI PROPERTY GROUP
AUDITOR'S INDEPENDENCE DECLARATION



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

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 Limited and GDI Funds management Limited as responsible entity for GDI Property Trust.

As the lead audit partner for the review of the financial report of GDI Property Trust and GDI Property Group Limited and their controlled entities (collectively "GDI Property Group") for the half-year ended 31 December 2022, 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 (NSW)
 Level 40, 2 Park Street
 Sydney NSW 2000

DREW TOWNSEND
 Partner
 Dated: 20 February 2023

GDI PROPERTY GROUP
FINANCIAL REPORT

For the six-month period ended 31 December 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Half year ended 31 December	Note	GDI		Trust	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Revenue from ordinary activities					
Property income	2	30,776	27,444	29,579	27,547
Funds management income		1,193	1,416	-	-
Interest income		155	59	151	58
Total revenue from ordinary activities		32,125	28,919	29,729	27,605
Net fair value gain/(loss) on interest rate swaps		(772)	666	(772)	666
Net fair value gain/(loss) on investment property		(9,442)	22,263	(9,442)	22,263
Profit on sale of investment property		-	7,834	-	7,834
Total income		21,911	59,683	19,515	58,368
Expenses					
Property expenses		10,764	9,234	10,345	9,234
Finance costs	3	4,996	2,335	5,011	2,347
Corporate and administration expenses		4,486	4,602	2,745	2,524
Acquisition expenses		10	3,598	10	3,597
Loss on sale of non-current asset		122	-	122	-
Total expenses		20,379	19,770	18,234	17,703
Profit before tax		1,532	39,913	1,281	40,666
Income tax (expense)/benefit		(64)	188	-	-
Net profit for the period		1,468	40,101	1,281	40,666
Other comprehensive income/(loss)		(18)	14	(18)	14
Total comprehensive income for the period		1,450	40,115	1,262	40,680
Profit and total comprehensive income attributable to:					
Company shareholders		187	(564)	-	-
Trust unitholders		(293)	38,438	(293)	38,438
Profit and total comprehensive income attributable to ordinary securityholders		(106)	37,874	(293)	38,438
External non-controlling interests – consolidated trusts		1,556	2,241	1,556	2,241
Profit and total comprehensive income		1,450	40,115	1,262	40,680
Basic earnings per stapled security/trust unit		(0.02)	7.01	(0.06)	7.11
Diluted earnings per stapled security/trust unit		(0.02)	6.96	(0.06)	7.06

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

As at 31 December 2022

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	GDI		Trust	
		31 December 2022 \$'000	30 June 2022 \$'000	31 December 2022 \$'000	30 June 2022 \$'000
Current assets					
Cash and cash equivalents		13,354	12,570	11,022	10,653
Trade and other receivables		3,055	4,568	2,832	4,231
Non-current assets held for sale		30	1,240	30	1,240
Derivative financial instruments		-	528	-	528
Other assets	4	11,663	6,547	13,225	7,836
Total current assets		28,103	25,452	27,109	24,487
Non-current assets					
Investment properties	5	1,028,074	1,008,376	1,028,074	1,008,376
Plant and equipment		284	157	237	100
Right of use asset		420	560	-	-
Deferred tax assets		1,126	1,190	-	-
Equity accounted investments		3,526	3,595	3,526	3,595
Derivative financial instruments		1,822	1,943	1,822	1,943
Intangible assets		18,110	18,110	-	-
Total non-current assets		1,053,363	1,033,932	1,033,659	1,014,015
Total assets		1,081,466	1,059,384	1,060,768	1,038,502
Current liabilities					
Borrowings	6	10,000	29,965	10,000	29,965
Trade and other payables		18,268	34,147	17,470	33,174
Lease liability		285	285	-	-
Provisions		631	621	-	-
Total current liabilities		29,184	65,018	27,470	63,139
Non-current liabilities					
Borrowings	6	289,828	216,245	289,823	216,220
Lease liability		145	285	-	-
Provisions		243	210	-	-
Other liabilities		17	23	-	-
Total non-current liabilities		290,233	216,764	289,823	216,220
Total liabilities		319,417	281,782	317,293	279,359
Net assets		762,049	777,603	743,476	759,143
Equity					
Contributed equity		21,888	22,007	493,081	495,728
Reserves		199	223	4,392	4,917
Retained profits		(3,513)	(3,770)	166,122	178,159
Equity attributable to equity holders of the Company/ Trust		18,573	18,460	663,595	678,804
Non-controlling interests					
Unitholders of the Trust					
Contributed equity		493,081	495,728	-	-
Reserves		4,392	4,917	-	-
Retained profits		166,122	178,159	-	-
Total equity attributable to trust unitholders		663,595	678,804	-	-
Equity attributed to holders of stapled securities		682,168	697,264	-	-
External non-controlling interest					
Contributed equity		64,625	64,625	64,625	64,625
Retained profits		15,256	15,714	15,256	15,714
Total equity attributable to external non-controlling interest		79,881	80,339	79,881	80,339
Total equity		762,049	777,603	743,476	759,143

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

As at 31 December 2022

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to securityholders of GDI				Non-controlling interest (Trust)	External non-controlling interest (consolidated trusts)	Total equity
	Contributed equity	Reserves	Retained earnings	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2021	22,340	209	(3,413)	19,136	677,421	64,147	760,704
Comprehensive income							
Profit for the period	-	-	(564)	(564)	38,424	2,241	40,101
Other comprehensive income	-	-	-	-	14	-	14
Total comprehensive income for the period	-	-	(564)	(564)	38,438	2,241	40,115
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense	-	65	-	65	1,413	-	1,478
Issue and formation costs	(1)	-	-	(1)	(3)	-	(4)
Transfer from security-based payment reserve	-	(66)	66	-	-	-	-
Settlement of performance rights	-	(25)	-	(25)	(543)	-	(568)
On market buy-back	(193)	-	-	(193)	(4,270)	-	(4,463)
Distributions paid/payable	-	-	-	-	(20,850)	(1,994)	(22,844)
Total transactions with securityholders in their capacity as securityholders	(194)	(26)	66	(154)	(24,253)	(1,994)	(26,401)
Balance as at 31 December 2021	22,146	184	(3,912)	18,418	691,606	64,394	774,418
Balance as at 1 July 2022	22,007	223	(3,770)	18,460	678,804	80,339	777,603
Comprehensive income							
Profit for the period	-	-	187	187	(275)	1,556	1,468
Other comprehensive income	-	-	-	-	(18)	-	(18)
Total comprehensive income for the period	-	-	187	187	(293)	1,556	1,450
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense	-	63	-	63	1,401	-	1,464
Transfer from security-based payment reserve	-	(70)	70	-	-	-	-
Settlement of performance rights	-	(17)	-	(17)	(380)	-	(397)
On market buy-back	(120)	-	-	(120)	(2,647)	-	(2,767)
Distributions paid/payable	-	-	-	-	(13,290)	(2,014)	(15,304)
Total transactions with securityholders in their capacity as securityholders	(120)	(24)	70	(74)	(14,916)	(2,014)	(17,003)
Balance as at 31 December 2022	21,888	199	(3,513)	18,573	663,595	79,881	762,049

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP
FINANCIAL REPORT

As at 31 December 2022

	Equity attributable to unitholders of the Trust					
	Contributed equity	Reserves	Retained earnings	Total equity attributable to unitholders of the Trust	External non-controlling interest (consolidated trusts)	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2021	503,066	4,625	169,730	677,420	64,147	741,567
Comprehensive income						
Profit for the period	-	-	38,424	38,424	2,241	40,666
Other comprehensive income	-	-	14	14	-	14
Total comprehensive income for the period	-	-	38,438	38,438	2,241	40,680
Transactions with unitholders in their capacity as unitholders						
Security-based payments expense	-	1,413	-	1,413	-	1,413
Issue and formation costs	(3)	-	-	(3)	-	(3)
Transfer from security-based payment reserve	-	(1,461)	1,461	-	-	-
Settlement of performance rights	-	(543)	-	(543)	-	(543)
On market buy-back	(4,270)	-	-	(4,270)	-	(4,270)
Distributions paid/payable	-	-	(20,850)	(20,850)	(1,994)	(22,844)
Total transactions with unitholders in their capacity as unitholders	(4,272)	(591)	(19,389)	(24,253)	(1,994)	(26,247)
Balance as at 31 December 2021	498,793	4,033	188,779	691,605	64,394	756,000
Balance as at 1 July 2022	495,728	4,917	178,159	678,804	80,339	759,143
Comprehensive income						
Profit for the period	-	-	(275)	(275)	1,556	1,281
Other comprehensive income	-	-	(18)	(18)	-	(18)
Total comprehensive income for the period	-	-	(293)	(293)	1,556	1,262
Transactions with unitholders in their capacity as unitholders						
Security-based payments expense	-	1,401	-	1,401	-	1,401
Transfer from security-based payment reserve	-	(1,546)	1,546	-	-	-
Settlement of performance rights	-	(380)	-	(380)	-	(380)
On market buy-back	(2,647)	-	-	(2,647)	-	(2,647)
Distributions paid/payable	-	-	(13,290)	(13,290)	(2,014)	(15,304)
Total transactions with unitholders in their capacity as unitholders	(2,647)	(525)	(11,744)	(14,916)	(2,014)	(16,930)
Balance as at 31 December 2022	493,081	4,392	166,122	663,595	79,881	743,476

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six-month period ended 31 December 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

	GDI		Trust	
	2022	2021	2022	2021
Half year ended 31 December	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Receipts in the course of operations	38,021	31,134	35,299	30,346
Payments in the course of operations	(23,310)	(13,570)	(21,166)	(11,928)
Interest received	155	59	151	58
Interest paid	(5,273)	(1,990)	(5,267)	(1,982)
Net cash inflow from operating activities	9,594	15,634	9,015	16,494
Cash flows from investing activities				
Payments for investments	-	(72,692)	-	(72,692)
Proceeds from the sale of investment properties	1,118	109,085	1,118	109,085
Payments for other capitalised costs	(751)	(317)	(751)	-
Payments for capital expenditure	(11,589)	(7,850)	(11,589)	(7,648)
Payment of tenant incentives and leasing costs	(3,551)	(2,924)	(3,551)	(2,924)
Payments for investment properties under construction	(20,572)	(11,251)	(20,572)	(11,566)
Loan to associated entities	(6,005)	(420)	(5,649)	(219)
Repayment of loans to associated entities	5,198	525	4,728	-
Investment in associated trusts	-	(3,705)	-	(3,705)
Net cash used in investing activities	(36,153)	10,451	(36,267)	10,332
Cash flows from financing activities				
Proceeds from borrowings	53,465	107,286	53,465	107,286
Repayment of borrowings	-	(109,466)	-	(109,605)
Payments for the on-market buy-back of securities	(2,767)	(4,463)	(2,647)	(4,270)
Payment of loan transaction costs	(5)	(790)	(5)	(652)
Equity issue and formation costs	-	(4)	-	(3)
Settlement of performance rights	(397)	(568)	(380)	(543)
Payment for derivative financial instruments	(123)	-	(123)	-
Principal reduction in lease liabilities	(141)	(138)	-	-
Payment of distributions to securityholders/unitholders	(22,690)	(22,996)	(22,690)	(22,996)
Net cash from financing activities	27,343	(31,138)	27,620	(30,782)
Net (decrease) in cash and cash equivalents	784	(5,054)	369	(3,956)
Cash and cash equivalents at beginning of period	12,570	11,188	10,653	9,504
Cash and cash equivalents at the end of the period	13,354	6,134	11,022	5,548

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 2022

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 20 February 2023 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 2022 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 2022, 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 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 GDI, 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 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 2022

NOTE 2 – PROPERTY REVENUE

Half year ended 31 December	GDI		Trust	
	2022	2021	2022	2021
Property revenue	\$'000	\$'000	\$'000	\$'000
Rent and recoverable outgoings	34,748	31,842	33,550	31,945
Amortisation of leasing costs and incentives	(3,972)	(4,398)	(3,972)	(4,398)
Total property revenue	30,776	27,444	29,579	27,547

NOTE 3 – FINANCE COSTS

Half year ended 31 December	GDI		Trust	
	2022	2021	2022	2021
Finance costs	\$'000	\$'000	\$'000	\$'000
Interest paid / payable	4,996	2,335	5,011	2,347
Total finance costs	4,996	2,335	5,011	2,347

NOTE 4 – OTHER ASSETS

Other assets of both GDI and the Trust includes:

- capitalised costs relating to the proposed development at 1 Mill Street, Perth of \$1.7 million (30 June 2022: \$1.3 million); and
- loans to associated entities of \$5.5 million in the Trust (30 June 2022: \$4.7 million) and \$5.6 million in GDI (30 June 2022: \$4.8 million).

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

NOTE 5 – INVESTMENT PROPERTIES

	GDI		Trust	
	31 December 2022	30 June 2022	31 December 2022	30 June 2022
	\$'000	\$'000	\$'000	\$'000
a) Investment properties at fair value				
<i>Movement in investment properties</i>				
Balance at beginning of the period	1,008,376	852,087	1,008,376	852,087
Additions – Investment property	-	68,500	-	68,500
Investment properties under construction	20,373	36,171	20,373	36,171
Capital works				
- Property improvements	6,268	13,552	6,268	13,552
- Maintenance capital (GDI Property Trust)	3,229	2,449	3,229	2,449
- Maintenance capital (consolidated trusts)	72	177	72	177
Straight lining of rental income	(516)	(1,560)	(516)	(1,560)
Leasing costs	1,031	1,081	1,031	1,081
Amortisation of leasing costs	(357)	(793)	(357)	(793)
Net gain/(loss) from fair value adjustments	(9,442)	51,408	(9,442)	51,408
Incentives paid (GDI Property Trust)	2,516	3,701	2,516	3,701
Incentives paid (consolidated trusts)	-	(91)	-	(91)
Non-cash incentives paid	81	1,340	81	1,340
Reclassified rent receivable	-	956	-	956
Amortisation of incentives (GDI Property Trust)	(3,603)	(20,576)	(3,603)	(20,576)
Amortisation of incentives (consolidated trusts)	(44)	-	(44)	-
Impact of COVID-19	90	(26)	90	(26)
Balance	1,028,074	1,008,376	1,028,074	1,008,376

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 2022	30 June 2022
Weighted average capitalisation rate ¹ (%)	6.5%	6.5%
Weighted average lease expiry by area ^{1,2} (years)	3.4 years	3.1 years
Occupancy ^{1,2}	76%	73%

1. Excluding 1 Mill Street, WS2, GDI No. 46 Property Trust, GDI No. 47 Trust and GDI No. 48 Trust.

2. Based on NLA and including Heads of Agreement to the date of this report.

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 9 to 12 months and tenant retention assumption of 50%.

c) Assets pledged as security

Borrowings (refer Note 6) 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 2022

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 2022 \$'000	Fair value adjustment \$'000
Investment properties							
Mill Green Complex, Perth	Freehold	16 December 2013	332,656	31 December 2022	301,500	301,500	(13,612)
235 Stanley Street, Townsville	Freehold	16 June 2016	53,500	31 December 2022	51,000	51,000	(783)
141 St Georges Terrace, Perth	Freehold	27 October 2017	216,250	31 December 2022	382,000	382,000	261
IDOM Portfolio, Perth	Freehold	14 February 2020	98,000	30 June 2022	136,545	136,552	-
180 Hay Street, Perth	Freehold	31 July 2020	13,855	31 December 2022	20,500	20,500	(1,238)
Murray Street carpark	Freehold	22 December 2021	38,250	31 December 2022	42,500	42,500	3,900
Wellington Street carpark	Freehold	22 December 2021	30,250	31 December 2022	32,000	32,000	2,031
Total			782,761		966,045	966,052	(9,442)
Investment Properties under construction	Freehold		-	-	-	62,021	-
Total investment properties			782,761		966,045	1,028,074	(9,442)

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

NOTE 6 – BORROWINGS

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

Interest bearing liabilities	GDI		Trust	
	31 December 2022 \$'000	30 June 2022 \$'000	31 December 2022 \$'000	30 June 2022 \$'000
Borrowings				
<i>Secured liabilities: current</i>				
Loans - financial institutions	10,000	30,000	10,000	30,000
Transaction costs	-	(35)	-	(35)
Total current borrowings	10,000	29,965	10,000	29,965
<i>Secured liabilities: non-current</i>				
Loans - financial institutions	290,270	216,806	290,270	216,806
Transaction costs	(443)	(560)	(448)	(585)
Total non-current borrowings	289,828	216,245	289,823	216,220
Total borrowings	299,828	246,210	299,823	246,185

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
Principle Facility Tranche C ¹	Yes	June 2024	159,437	133,419	26,018
Principle Facility Tranche E ^{1,2}	Yes	June 2024	85,000	58,351	26,649
Principle Facility Tranche F ¹	Yes	June 2024	68,500	68,500	-
Bank Bill Business Loan ³	Yes	July 2023	11,500	10,000	1,500
Capital Loan Agreement ⁴	Yes	February 2025	30,000	30,000	-
Total borrowings available to draw			354,437	300,270	54,167
Principle Facility Tranche D ^{1,5}	Yes	June 2024	5,563	5,000	563
Total borrowings			360,000	305,270	54,730

- Principle Facility Tranche C, E, F and D are 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.
- Principle Facility Tranche E is specifically for the construction of WS2, including funding the fixed price contract and anticipated tenant incentives. On practical completion of WS2, Tranche E expires and the limit is transferred to Tranche C.
- The Bank Bill Business Loan relates to GDI No. 42 office Trust and is secured against the assets of that trust.
- The Capital Loan Agreement relates to GDI No. 46 Property Trust and is secured against the assets of that trust. Interest is paid monthly in arrears at variable rates.
- GDI 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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

NOTE 7 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

a) Dividends paid/payable by the Company

There were no dividends paid or payable by the Company in respect of the period ended 31 December 2022.

b) Distributions paid/payable by the GDI/Trust

	GDI	Trust
	Half year ended December 2022	Half year ended December 2022
	cents/security	cents/unit
Distributions paid / payable by the Group / Trust		
31 August 2022	3.875	3.875
28 February 2023	2.500	2.500

NOTE 8 – 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 of 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 2022

b) Segment information

(i) Segment performance

	Property	Funds management	Reviewed but unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Half year ended 31 December 2022				
Operating earnings				
Net property income	20,012	-	-	20,012
Funds Management income	-	1,193	-	1,193
Total operating earnings	20,012	1,193	-	21,205
FFO adjustments				
Straight-lining rental income	513	-	5	518
Amortisation and depreciation	3,972	-	9	3,981
Adjustment for consolidated funds	(5,477)	2,157	77	(3,242)
FFO pre corporate, administration and interest expenses / income	19,019	3,351	92	22,462
+/- corporate, administration and interest expense / income				
Interest paid	(3,945)	(5)	-	(3,950)
Interest income	151	5	-	156
Corporate and administration expenses	(2,745)	-	(1,746)	(4,491)
Other comprehensive income	-	(18)	-	(18)
Income tax (expense)/benefit	-	(64)	-	(64)
Total FFO	12,479	3,268	(1,654)	14,094
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain / (loss) on investment properties	(9,442)	-	-	(9,442)
Net fair value gain / (loss) on interest rate swaps	(772)	-	-	(772)
Straight-lining rental income	(513)	-	(5)	(518)
Amortisation of leasing fees and incentives	(3,972)	-	-	(3,972)
Amortisation of loan establishment costs	(157)	-	-	(157)
Depreciation	-	-	(9)	(9)
Adjustment for consolidated trusts	4,515	(2,157)	-	2,358
Acquisition costs	(10)	-	-	(10)
Loss on sale of non-current asset	(122)	-	-	(122)
Profit after tax from ordinary activities	2,007	1,111	(1,669)	1,449
	Property	Funds management	Reviewed but unallocated	Total
	\$'000	\$'000	\$'000	\$'000
Half year ended 31 December 2021				
Operating earnings				
Net property income	18,210	-	-	18,210
Funds Management income	-	1,416	-	1,416
Other income	-	-	-	-
Total operating earnings	18,210	1,416	-	19,626
FFO adjustments				
Straight-lining rental income	503	-	-	503
Amortisation and depreciation	4,398	-	7	4,405
Adjustment for consolidated trusts	(5,377)	2,087	9	(3,280)
FFO pre corporate, administration and interest expenses / income	17,734	3,503	17	21,254

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

+/- corporate, administration and interest expense / income				
Interest paid	(1,529)	(8)	-	(1,537)
Interest income	58	1	-	59
Corporate and administration expenses	(2,021)	-	(2,581)	(4,602)
Other comprehensive income	-	14	-	14
Income tax (expense)/benefit	-	188	-	188
Total FFO	14,242	3,698	(2,564)	15,376
+/- AIFRS adjustments from FFO to profit after tax from ordinary activities				
Net fair value gain of investment properties	22,263	-	-	22,263
Net fair value gain on interest rate swaps	666	-	-	666
Straight-lining rental income	(503)	-	-	(503)
Amortisation of leasing fees and incentives	(4,398)	-	-	(4,398)
Amortisation of loan establishment costs	(326)	-	-	(326)
Depreciation	-	-	(7)	(7)
Adjustment for consolidated trusts	4,894	(2,087)	-	2,807
Acquisition costs	(3,598)	-	-	(3,598)
Profit on sale of non-current asset	7,834	-	-	7,834
Profit after tax from ordinary activities	41,075	1,611	(2,571)	40,115

(ii) Segment assets and liabilities

	Property \$'000	Funds management \$'000	External non- controlling \$'000	Total \$'000
As at 31 December 2022				
Segment assets and liabilities				
Total assets	874,677	105,956	100,833	1,081,466
Total liabilities	(278,654)	(18,880)	(21,882)	319,417
Net assets	596,022	87,076	78,951	762,049
As at 30 June 2022				
Segment assets and liabilities				
Total assets	849,310	106,348	101,258	1,056,915
Total liabilities	(238,855)	(18,738)	(21,720)	(279,313)
Net assets	610,456	87,609	79,538	777,603

NOTE 9 – 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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

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 2022		30 June 2022	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets at amortised cost				
Cash and cash equivalents	13,354	13,354	12,570	12,570
Trade and other receivables	3,055	3,055	4,568	4,568
Financial assets at fair value				
Derivative financial instruments	1,822	1,822	2,471	2,471
Total financial assets	18,232	18,232	19,609	19,609
Financial liabilities at amortised cost				
Trade and other payables	18,268	18,268	34,147	34,147
Provisions	874	874	831	831
Borrowings	299,828	299,828	246,210	246,210
Total financial liabilities	318,969	318,969	281,188	281,188

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.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

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 2022			As at 30 June 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
<i>Non-financial assets</i>						
Investment properties ¹	-	1,028,074	-	-	1,009,616	-
<i>Financial assets</i>						
Derivative financial instruments		1,822	-		2,471	-
Total assets recognised at fair value on a recurring basis	-	1,029,896	-	-	1,012,087	-

d) Valuation techniques and inputs used to measure Level 2 Fair Values

	31 December 2022 \$'000	30 June 2022 \$'000	Valuation technique	Inputs Used
Financial assets/liabilities				
Derivative financial instruments	1,822	2,471	Income approach using discounted cash flow methodology	BBSY swap rate
Non-financial assets				
Investment properties ¹	1,028,074	1,009,616	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. The total includes investment properties held for sale.

e) 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
Assumed market rent per square metre of NLA	Increase	Decrease
Price per square metre of NLA	Increase	Decrease

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six-month period ended 31 December 2022

NOTE 10 – CONTINGENT LIABILITIES

There was no change in the contingent liabilities of GDI and the Trust as at 31 December 2022 since the last annual reporting period.

NOTE 11 – EVENTS AFTER THE REPORTING DATE

On 6 February, GDI entered into a call option to acquire the South Hedland Motel (SHM) and the accompanying Lodge Motel (Lodge), for a combined purchased price of \$27.0 million¹. Further details, including that of the potential Joint Venture with Tulla Group, are provided in the Directors' Report on page 6.

1. GDI has paid a call option fee of \$1.35 million, which will be deducted from the purchase price on settlement.

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 2022

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 9 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 2022 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 20th day of February 2023



INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE STAPLED SECURITY HOLDERS OF
GDI PROPERTY GROUP LIMITED AND THE UNITHOLDERS OF GDI PROPERTY TRUST

Conclusion

We have reviewed the half-year financial report of GDI Property Trust and GDI Property Group Limited and their controlled entities (collectively "GDI Property Group"), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of GDI Property Group does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the GDI Property Group financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of GDI Property Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of the Directors for the Financial Report

The directors of GDI Property Group Limited and GDI Funds Management Limited, the responsible entity of GDI Property 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 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 gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the GDI Property Group's financial position as at 31 December 2022 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*.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE STAPLED SECURITY HOLDERS OF
GDI PROPERTY GROUP LIMITED AND THE UNITHOLDERS OF GDI PROPERTY TRUST

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 other 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.



HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000



DREW TOWNSEND
Partner
Dated: 20 February 2023