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The GPT Group

GPT Management Holdings Limited

ABN: 67 113 510 188

Interim Financial Report
30 June 2021

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

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

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

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DIRECTORS' REPORT
For the half year ended 30 June 2021

The Directors of GPT Management Holdings Limited (the Company), present their report together with the financial statements of GPT Management Holdings Limited and its controlled entities (the Consolidated Entity) for the half year ended 30 June 2021. The Consolidated Entity is a for profit entity and is stapled to the General Property Trust (Trust). The GPT Group (GPT or the Group) financial statements include the results of the stapled entity as a whole.

GPT Management Holdings Limited is a company limited by shares, incorporated and domiciled in Australia. The registered office and principal place of business is Level 51, 25 Martin Place, Sydney NSW 2000.

1. OPERATING AND FINANCIAL REVIEW

The Consolidated Entity's results are largely driven by the results of the Trust and the Wholesale Funds managed by the Consolidated Entity given that management and other fees are driven by the asset value and performance of the underlying properties within these entities.

About GPT
GPT is a vertically integrated diversified property group that owns and actively manages its $25.3 billion portfolio of high quality Australian office, logistics and retail assets. The Group leverages its real estate management platform to enhance returns through property development and funds management.

Listed on the Australian Securities Exchange (ASX) since 1971, today The GPT Group is a constituent of the S&P/ASX 50 Index with a substantial investor base of more than 32,000 securityholders.

GPT's vision is to be the most respected property company in Australia in the eyes of our investors, people, customers and communities. Our purpose is to create value for investors by providing high quality real estate spaces that enable people to excel and our customers and communities to prosper in a sustainable way.

Review of operations and operating result
The Group delivered strong results in the first half of 2021, with a rebound in Retail sales, leasing activity and rent collection, increased valuations and improving leasing activity for the Office portfolio, and the Logistics portfolio continuing to benefit from structural tailwinds and strong valuation gains. Rent collections were high, several developments were completed and a number of new developments commenced. Further progress was made with the Group's Logistics partnership with QuadReal. Of the initial $800 million capital target (GPT share 50 per cent), 43 per cent had been committed at 30 June 2021. The Group also maintained a strong balance sheet and liquidity position during the period.

The Consolidated Entity's financial performance for the half year ended 30 June 2021 is summarised below.

The net profit after tax for the half year ended 30 June 2021 is $20,577,000 (Jun 2020: $8,083,000).

DIRECTORS' REPORT
For the half year ended 30 June 2021

For the half year ended	30 Jun 21 $'000	30 Jun 20 Restated(1) $'000	Change %
Property management fees	**21,400**	16,907	27%
Development management fees and revenue	**9,826**	9,485	4%
Fund management fees	**48,311**	42,503	14%
Management costs recharged	**15,353**	14,826	4%
Proceeds from sale of inventory	**11,716**	735	1,494%
Other income	**73**	4,671	(98%)
Expenses	**(81,850)**	(67,804)	21%
Profit from continuing operations before income tax expense	**24,829**	21,323	16%
Income tax expense	**(4,252)**	(7,240)	(41%)
Profit after income tax for continuing operations	**20,577**	14,083	46%
Loss from discontinued operations	**-**	(6,000)	(100%)
Net profit for the half year	**20,577**	8,083	155%

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

Consolidated Entity result
The increase in net profit after tax compared to the profit recognised at June 2020 is largely due to increased property management and fund management fees in 2021 along with the revaluation of intercompany loans with the Trust, partially offset by an increase in remuneration expenses and a lower share of profit on equity accounted investments.

Property management

Retail
The Consolidated Entity is responsible for property management activities across the retail sector. Property management fees increased to $12,540,000 in 2021 primarily as a result of a lesser impact of the COVID-19 pandemic on property revenue, including the recognition of lower rent waivers for tenants affected by the pandemic.

Office
The Consolidated Entity is responsible for property management activities across the office sector. Property management fees increased to $7,324,000 in 2021 primarily as a result of a lesser impact of the COVID-19 pandemic on property revenue, including the recognition of lower rent waivers for tenants and less membership fee waivers provided to Space&Co members as a result of the COVID-19 pandemic.

Logistics
The Consolidated Entity is responsible for property management activities across the logistics sector. Property management fees increased to $1,536,000 in 2021 as a result of the conversion of properties from development assets to operating assets.

Development management fees and revenue

Development management fees have increased by 4 per cent overall to $9,826,000 primarily due to an increase in development activity post the impacts of the COVID-19 pandemic seen in 2020. The prior year was impacted by lower utilisation amongst the teams with headcount reductions and projects being postponed, including the Melbourne Central Rooftop and the Rouse Hill developments, including the Rouse Hill developments held in inventory.

Funds Management

GPT Wholesale Office Fund (GWOF)
The fund delivered a one year equity IRR of 7.7 per cent. GWOF's total assets increased to $9.3 billion, up $0.3 billion from 31 December 2020. The management fee income earned from GWOF for half year ended 30 June 2021 increased by $0.7 million as compared to 30 June 2020 due to the increase in the value of the portfolio.

GPT's ownership reduced slightly to 21.84 per cent (Dec 2020: 21.87 per cent) due to not participating in GWOF's Distribution Reinvestment Plan (DRP).

GPT Wholesale Shopping Centre Fund (GWSCF)
The fund delivered a one year equity IRR of 3.3 per cent. GWSCF's total assets remained steady at $3.9 billion, compared to 31 December 2020. The management fee income earned from GWSCF for the half year ended 30 June 2021 decreased $1.5 million as compared to 30 June 2020 due to the decrease in the value of the portfolio in the prior period.

GPT's ownership in GWSCF is 28.48 per cent (Dec 2020: 28.48 per cent).

GPT QuadReal Logistics Trust
The GPT QuadReal Logistics Trust is a new partnership announced during the period with QuadReal Property Group to create a prime Australian logistics portfolio with an initial $800 million target. A number of developments have already been secured for this partnership in Melbourne and Brisbane with an end value of $346 million (100 per cent) with $279 million in costs to complete (100 per cent).

Management costs recharged
Management costs recharged increased by 4 per cent overall to $15,353,000 primarily due to increasing costs at the corporate level passed onto the assets.

DIRECTORS' REPORT
For the half year ended 30 June 2021

Proceeds from sale of inventory
Proceeds from sale of inventory increased to $11,716,000 due to an increase in sales at Metroplex in 2021.

Other income
Other income has decreased by 98 per cent overall during the period to $73,000 primarily due to a decrease in the share of profit recognised from the Lendlease GPT (Rouse Hill) Pty Limited joint venture.

Expenses
Expenses have increased by 21 per cent overall to $81,850,000 primarily due to an increase in remuneration expenses caused by the reinstatement of the bonus scheme in the current year and increased costs relating to the sale of inventory, partially offset by lower revaluation of financial arrangements in 2021.

Loss from discontinued operations
2020 relates to the revaluation of the loans related to the Hotel/Tourism portfolio. All loans are now classified in continuing operations in 2021.

Financial position

	30 Jun 21 $'000	31 Dec 20 Restated(1) $'000	Change %
Current assets	**96,794**	138,816	(30%)
Non-current assets	**228,606**	191,585	19%
Total assets	**325,400**	330,401	(2%)
Current liabilities	**56,886**	48,452	17%
Non-current liabilities	**208,713**	242,749	(14%)
Total liabilities	**265,599**	291,201	(9%)
Net assets	**59,801**	39,200	53%

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

Total assets decreased by 2 per cent to $325,400,000 in 2021 (Dec 2020: $330,401,000) primarily due to a decrease in inventories as a result of the sale of Metroplex lots during the half year, and a decrease in the cash balance, partially offset by an increase in right-of-use assets and trade receivables from related parties.

Total liabilities decreased by 9 per cent to $265,599,000 in 2021 (Dec 2020: $291,201,000) due to the decrease in the carrying value of related party borrowings, partially offset by an increase in lease liabilities and payables balances mostly in relation to people costs.

Capital management
The Consolidated Entity has an external loan of $3,417,000 relating to the Metroplex joint venture.

The Consolidated Entity has related party borrowings from the Trust and its subsidiaries and joint ventures. Under Australian Accounting Standards, the loans are revalued to fair value at each reporting period.

Going Concern
The Consolidated Entity's financial position is highly dependent on the financial position of GPT given that the Consolidated Entity is funded through intercompany loans from GPT.

Due to the uncertainty created by COVID-19, GPT has performed additional procedures to assess going concern. GPT believes it is able to meet its liabilities and commitments as and when they fall due for at least 12 months from the reporting date. In reaching this position, GPT has taken into account the following factors:
- Available liquidity, through cash and undrawn facilities of $1,323.6 million (after allowing for refinancing of $586.0 million of outstanding commercial paper as at 30 June 2021);
- Weighted average debt expiry of 7.4 years, with less than $5.0 million of debt (excluding commercial paper outstanding) due between the date of this report and 30 June 2022;
- Interest rate hedging level of 67 per cent over the next 12 months;
- Primary covenant gearing of 24.9 per cent, compared to a covenant level of 50.0 per cent; and
- Interest cover ratio for the six months to 30 June 2021 of 7.9 times, compared to a covenant level of 2.0 times.

Cash flows
The cash balance at 30 June 2021 decreased to $17,905,000 (Dec 2020: $22,968,000).

Operating activities:
Net cash inflows from operating activities have increased in 2021 to $33,179,000 (Jun 2020: outflow of $6,653,000) driven by lower cash payments and increased proceeds on the sale of inventory.

DIRECTORS' REPORT
For the half year ended 30 June 2021

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

For the half year ended	30 Jun 21 $'000	30 Jun 20 Restated[1] $'000	Change %
Net profit for the half year	**20,577**	8,083	155%
Non-cash items included in net profit	**1,056**	12,775	(92%)
Timing difference	**11,546**	(27,511)	(142%)
Net cash inflows/(outflows) from operating activities	**33,179**	(6,653)	(599%)

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

Investing activities:
Net cash outflows from investing activities have decreased to $1,713,000 in 2021 (Jun 2020: $8,917,000) due to lower costs associated with the acquisition of property, plant and equipment and intangible assets.

Financing activities:
Net cash from financing activities have decreased to an outflow $36,529,000 in 2021 (Jun 2020: inflow of $13,418,000) primarily due to lower proceeds from related party borrowings offset partially by lower repayments towards related party borrowings.

Dividends
The Directors have not declared any dividends for the half year ended 30 June 2021 (2020: nil).

Prospects
The following details the prospects of the Group and the Wholesale Funds, as the management and other fees earned by the Consolidated Entity are driven by the asset value and performance of the underlying properties within these entities.

The global COVID-19 pandemic continues to disrupt the Australian economy and GPT's operating environment causing uncertainty. In some instances, this disruption has accelerated structural trends such as the take up of online retailing and remote working practices.

After the reporting period, lockdown measures were introduced in NSW and intermittently in place in Victoria and Queensland in response to COVID-19 outbreaks. Lockdown measures remain in place in NSW and Victoria.

As was evident in the first half of 2021, when COVID-19 was contained and restrictions eased, our portfolio benefited from the strong economic conditions including improved business and consumer sentiment and a buoyant housing market. While the recent COVID-19 outbreaks have disrupted the economic recovery, we expect that this will be temporary and that we will see a return to these favourable conditions once restrictions lift.

The near-term outlook for the Group is influenced by a number of factors including the frequency and duration of COVID-19 restrictions and measures required to support tenants. Management considers that it has applied its best judgement in outlining the Group's prospects in the current market conditions.

As at 30 June 2021, the Group's net gearing was 24.5 per cent, with cash and undrawn bank facilities totalling $1.3 billion, and no significant loan expiries until 2023. GPT has also retained its credit ratings of 'A stable' and 'A2 stable' by S&P and Moody's respectively.

GPT continues to focus on growing its Logistics portfolio through developments and acquisitions and activating opportunities within the broader portfolio including the Funds Management platform to facilitate further growth.

Despite the near-term disruption, GPT remains well positioned with a strong balance sheet, a diversified portfolio of high quality assets and a proactive management team.

Office
The broader adoption of hybrid working practices by businesses continued to be evident in the period. This trend follows the government requirement in 2020 and again intermittently in 2021, for many employees to work from home during the pandemic, and employees valuing the benefits to work-life balance and more effective use of time otherwise spent commuting. The physical office however remains important for the majority of businesses, facilitating collaboration, innovation and shaping of organisational culture. This is evident through the leasing enquiry particularly from technology and services businesses.

During 2021, vacancy rates in eastern seaboard markets have increased, as a result of subdued demand along with supply completions. Vacancy rates are likely to stay elevated during the remainder of 2021, with incentives remaining elevated and effective rents softening. We do however expect that there will be businesses that take the opportunity to upgrade their space and seek out accommodation in better quality office buildings. The Group's Office portfolio of high quality, prime grade assets has a weighted average lease expiry of 5.0 years and is expected to remain resilient given the quality of our assets, our customer relationships, and the diversification of our tenant base.

Logistics
Our Logistics assets continued to deliver strong results for the Group through the half. Increasing penetration of e-commerce and growing investment in supply chain infrastructure is expected to underpin continued demand for prime logistics space. Vacancy rates remain low in the core eastern seaboard markets and investor demand for logistics assets continue to underpin valuations.

Since 2017, the value of the Logistics portfolio has more than doubled to $3.4 billion. We have a high quality portfolio, with approximately half being developed by GPT, demonstrating our focus on product creation. The Group has a Logistics development pipeline with an estimated end value of approximately $1.4 billion, including GPT direct and GPT Quadreal Logistics Trust opportunities, which positions the Group to continue its growth in this sector.

Retail
The Group benefited from a solid recovery in the performance of its Retail portfolio during the first half, with high levels of rent collection and strong leasing momentum driving an increase in occupancy. The strong economic recovery evident in the first half combined with high levels of consumer confidence has delivered strong retail sales growth across most categories. This has led to many retailers opening new brands and physical stores to capture the demand. The recovery of Melbourne Central continues to lag the broader portfolio given the delayed return of workers and students to the Melbourne CBD. We expect that the recovery of Melbourne Central will accelerate as the CBD is re-activated.

Rent collection for the Retail portfolio softened to 81 per cent of net billings in July 2021.

COVID-19 restrictions continue to be disruptive but we expect that the impacts of the pandemic on the trading environment will be followed by a strong recovery as restrictions are eased.

Funds Management
Our Funds Management platform maintained significant scale over the period, with $13.5 billion in assets under management, and provides operational leverage for the Group. It is an important part of our business that we are seeking to grow.

Organic growth of the existing platform is planned through developments and acquisitions. GWOF is progressing its extensive $3 billion development pipeline, having reached practical completion at the end of the period of its Queen & Collins, Melbourne development. GWSCF's focus is on near term asset enhancement and longer term value creation. This includes repositioning of existing major retailers at Highpoint, aesthetic upgrades at Northland and progressing mixed-use master planning opportunities at a number of assets.

GPT's capital partnership with Canadian based QuadReal is consistent with our strategic priorities of growing the Logistics portfolio and expanding our Funds Management platform, while leveraging the Group's extensive real estate capabilities. The partnership target increased to $1 billion post the period end, having committed 53 per cent of the initial $800 million capital target in August 2021.

Guidance
As announced on 26 July 2021, the Group has withdrawn its FFO and distribution guidance for 2021 given the uncertainty in relation to the duration and impacts of the lockdown measures being implemented to suppress the spread of COVID-19, particularly in Greater Sydney.

While COVID-19 continues to be disruptive and provide near term uncertainty, we expect this to be transitory, and a solid recovery in economic growth will return once vaccination rates reach a level that allow restrictions to be eased on more sustained basis.

GPT remains well positioned with a strong balance sheet, a high quality diversified portfolio, an experienced management team and a strategy to create long term value for securityholders.

Risk management
GPT's approach to risk management incorporates culture, people, processes and systems to enable the Group to realise potential opportunities while managing potential adverse effects.

Our commitment to integrated risk management ensures an enterprise-wide approach to the identification, assessment and management of risk, consistent with AS/NZS ISO 31000:2018.

Risk Management Framework
GPT's Risk Management Framework is overseen by the Board and consists of the following key elements:

1. **Risk Policy** – The Risk Policy sets out the Group's approach to risk management, which is reviewed annually by the Sustainability and Risk Committee (a Board sub-committee). The Risk Policy is available on GPT's website.
2. **Risk Appetite** – The Board sets GPT's risk appetite to align with our vision, purpose and strategy. This is articulated in the Group's Risk Appetite Statement, against which all key investment decisions are measured.
3. **Risk Governance** – The Board is supported in its oversight of the Risk Management Framework by the Sustainability and Risk Committee, which reviews the effectiveness of the Framework, and by the Audit Committee, the Leadership Team and the Investment Committee.
4. **Risk Culture** – GPT maintains a transparent and accountable culture where risk is actively considered and managed in our day-to-day activities. Risk culture is assessed as part of all internal audits and tracked using a Risk Culture Scorecard.
5. **Risk Management Processes and Systems** – GPT has robust processes and systems in place for the identification, assessment, treatment, assurance and reporting of risk.

Adapting to COVID-19
The COVID-19 pandemic heightened a number of existing risks for GPT. We responded proactively at both the governance and operational levels, and have now incorporated our pandemic responses into our usual business activities. In all aspects of our approach we have prioritised health and safety, followed government guidance and directives, and been flexible as the situation continues to evolve.

The focus of our risk management response has been in the areas set out below.

Health and Safety
The health and safety of our people, customers, contractors and other users of our assets has been our priority throughout the pandemic. We have consulted widely in our industry and beyond, and implemented best practice safety initiatives across our portfolio. These include cleaning, hygiene and social distancing measures, COVID-19 awareness training, and wellbeing support for our people.

Governance
GPT's Risk Management Framework has been reviewed to ensure that it continues to function effectively in the COVID-19 operating environment, with a large number of employees working remotely and certain operations required to be performed differently. Enhanced governance remains in place to address ongoing disruption.

Key risks
The following table sets out GPT's material risks and our actions in response to them. Included in the table is an indication of the change in the level of each risk during the half year.

Risks	Our Response	Change in Risk for 6 months to June 2021	Value Creation Inputs Affected
Portfolio Operating and Financial Performance Our portfolio operating and financial performance is influenced by internal and external factors including our investment decisions, market conditions, interest rates, economic factors and potential disruption.	• A portfolio diversified by sector and geography • Structured review of market conditions twice a year, including briefings from economists • Scenario modelling and stress testing of assumptions to inform decisions • A disciplined investment and divestment approval process, including extensive due diligence requirements • A development pipeline to enhance asset returns and maintain asset quality • Active management of our assets, including leasing, to ensure a large and diversified tenant base with limited single tenant exposure • Experienced and capable management, supplemented with external capabilities where appropriate • A structured program of investor engagement	**No change** Financial pressure on retail and office tenants and ongoing disruption as a result of COVID-19 continues to present some risk to GPT's financial performance.	• Our investors • Real estate • Our people • Environment • Our customers, suppliers and communities
Development Development provides the Group with access to new, high quality assets. Delivering assets that exceed our risk adjusted return requirements and meet our sustainability objectives is critical to our success.	• A disciplined acquisition and development approval process, including extensive due diligence requirements • Oversight of developments through regular cross-functional Project Control Group meetings • Scenario modelling and stress testing of assumptions to inform decisions • Experienced management capability • Limits on the proportion of the portfolio under development at any time • Limits on individual contractor exposure • Appropriate minimum leasing pre-commitments to be achieved prior to construction commencement	**No change** GPT's development pipeline remains strong despite the deferral of some retail and office projects in 2020 due to the impacts of COVID-19. Development activity in the Logistics portfolio has increased during the period.	• Our investors • Real estate • Our people • Environment • Our customers, suppliers and communities
Capital Management Effective capital management is imperative to meet the Group's ongoing funding requirements and to withstand market volatility.	• Target gearing range of 25 to 35 per cent consistent with a stable investment grade credit ratings in the "A" range • Maintenance of a minimum liquidity buffer in cash and surplus committed credit facilities • Diversified funding sources • Maintenance of a long weighted average debt term, with limits on the maximum amount of debt expiring in any 12 month period • Hedging of interest rates to keep exposure within prescribed limits • Limits on currency exposure • Limits on exposure to counterparties	**Decreased** Prudent gearing has been maintained and significant liquidity is in place.	• Our investors
Health and Safety GPT is committed to promoting and protecting the health, safety and wellbeing of its people, customers, contractors and all users of our assets.	• A culture of safety first and integration of safety risk management across the business • Comprehensive health and safety management systems • Training and education of employees and induction of contractors • Engagement of specialist safety consultants to assist in identifying risks and appropriate mitigation actions • Prompt and thorough investigation of all safety incidents to ascertain root causes and prevent future occurrences. • Participation in knowledge sharing within the industry • Comprehensive Crisis Management and Business Continuity Plans, tested annually	**No change** COVID-19 continues to present a risk to the health, safety and wellbeing of our employees, customers, contractors and users of our assets.	• Real estate • Our people • Our customers, suppliers and communities

Risks	Our Response	Change in Risk for 6 months to June 2021	Value Creation Inputs Affected
People and Culture Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports GPT's core values.	• Active adoption and promotion of GPT's values • A comprehensive employee Code of Conduct, including consequences for non-compliance • Employee Engagement Surveys every 18 to 24 months with action plans to address results • An annual performance management process, setting objectives and accountability • Promotion of an inclusive workplace culture where differences are valued, supported by policies and training • Monitoring of both risk culture and conduct risk • An incentive system with capacity for discretionary adjustments and clawback policy • Benchmarking and setting competitive remuneration • Development and succession planning • Workforce planning	**Decreased** GPT is adapting well to changing working patterns triggered by COVID-19.	• Our investors • Our people
Environmental and Social Sustainability Delivering sustainable outcomes for investors, customers, communities and the environment, today and for future generations, is essential. GPT understands and recognises that changes to the environment can affect our assets and business operations.	• A portfolio of climate resilient assets that we own, develop and maintain through asset-level investment, divestment and capital expenditure strategies • A world-class Environment and Sustainability Management System, including policies and procedures for managing environmental and social sustainability risks • Participation in the Dow Jones Sustainability Index, Global Real Estate Sustainability Benchmark and other industry benchmarks • Climate related risks and potential financial impacts are assessed within GPT's enterprise-wide Risk Management Framework • Climate change reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures • Active community engagement via The GPT Foundation, GPT's Reconciliation Action Plan and other targeted programs • A Modern Slavery Statement and program of work in response to Modern Slavery legislation	**No change** COVID-19 continues to disrupt our supply chains which may increase the vulnerability of workers in those supply chains.	• Our investors • Real estate • Our people • Environment • Our customers, suppliers and communities
Technology and Cyber Security Our ability to prevent critical outages, ensure ongoing available system access and respond to major cyber security threats and breaches of our information technology systems is vital to ensure ongoing business continuity and the safety of people and assets.	• A comprehensive technology risk management framework including third party risk management procedures around cyber security • Information Management policy, guidelines and standards • Privacy policy, guidelines and procedures • Compulsory cyber security awareness training twice a year • Annual security testing completed by a specialist external security firm, including penetration testing, phishing exercises and social engineering testing • A comprehensive Cyber Security Incident Response Plan • A Disaster Recovery Plan including annual disaster recovery testing • Technology solutions in place to monitor GPT platforms and provide alerts to anomalous behaviour • Regular updates to technology hardware and software incorporating recommended security patches • External specialist security operations monitoring • Annual cyber risk assessments • An Information Security Risk and Compliance Committee overseeing information security • Alignment to the National Institute of Standards and Technology (NIST) Cyber Security Framework	**Increased** Increased and sustained remote working during the pandemic has increased the risk of cyber-attacks.	• Real estate • Our people • Our customers, suppliers and communities

Risks	Our Response	Change in Risk for 6 months to June 2021	Value Creation Inputs Affected
Compliance and Regulation We ensure compliance with all applicable regulatory requirements through our established policies and frameworks.	• An experienced management team with Legal, Tax, Finance, Compliance and Risk Management expertise • Engagement of external expert advisors as required • An internal and external audit program overseen by the Audit Committee of the Board • Active management of the Group's Compliance Plans, in accordance with the requirements of the Corporations Law • Internal committees such as a Continuous Disclosure Committee, a Data Privacy Committee and a Cyber Security Governance Committee to monitor key compliance risks • An Anti-money Laundering and Counter-terrorism Financing Policy, a Conflicts Management Policy, a Whistleblower Policy, a Code of Conduct and other internal policies and procedures which are reviewed and enforced • An ongoing program of training which addresses all key compliance requirements • Active involvement in the Property Council of Australia and other industry bodies	**No change**	• Our investors • Real estate • Our people • Environment • Our customers, suppliers and communities

2. CLIMATE-RELATED RISKS

Climate change is a global challenge. The science is clear: ongoing carbon emissions are contributing to dangerous levels of climate change, resulting in an increase in the frequency and intensity of climate-related events around the world. Leadership and action to curb emissions is essential. In many countries, including Australia, market expectations and government policy are shifting to address this challenge.

As the owner and manager of a $25.3 billion portfolio of office, logistics and retail properties across Australia, GPT recognises the importance of identifying, managing, and transparently reporting on climate change risks and opportunities that could have a material impact on GPT's assets and on the communities in which we operate. The proactive identification and management of key risks and opportunities, including those related to climate change, supports the achievement of the Group's strategy.

GPT outlines the steps that we are taking to identify, assess and manage climate-related risks and opportunities in the Group's annual Climate Disclosure Statement (Statement), which is prepared with reference to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The Statement is available on GPT's website.

GPT has completed a number of key actions outlined in our inaugural 2019 Climate Disclosure Statement, including the carbon neutral certification of GWOF's operating buildings, setting carbon neutral certification targets for the GPT and GWSCF portfolios, and commencing a program of asset-level hazard identification and adaptation planning.

The Group continues to incorporate climate change risks and opportunities into business decision making.

We are undertaking further detailed analysis of climate scenarios and will incorporate the results into the Group's five year strategic plans. Where appropriate, we will develop asset-level climate adaptation plans.

In addition, we are furthering our efforts to forecast the embodied carbon in the construction of new developments and consider ways to reduce it. This work will enable GPT to establish embodied carbon metrics and understand where opportunities exist to set targets in the future.

The Group will continue its ongoing analysis of climate change risks and opportunities, the results of which will continue to be embedded into how GPT does business.

GPT's Climate Disclosure Statement is available on our website: www.gpt.com.au

3. EVENTS SUBSEQUENT TO REPORTING DATE

The COVID-19 pandemic has created unprecedented economic and societal impacts and there remains significant uncertainty. In the event the COVID-19 impacts are more severe or prolonged than anticipated, this may have further adverse impacts to asset values and the operating result of the Consolidated Entity. At the reporting date a definitive assessment of the future effects of COVID-19 on the Consolidated Entity cannot be made, as the impact will depend on the magnitude and duration of the government restrictions, with the full range of possible effects unknown.

After the reporting period, lockdown measures were introduced in NSW and were intermittently in place in Victoria and Queensland in response to COVID-19 outbreaks. Lockdown measures remain in place in NSW and Victoria as at the date the accounts were signed.

After the balance date, the Code of Conduct was reinstated in Victoria and New South Wales to provide rent relief to qualifying small and medium tenants. GPT continues to work with tenants to provide relief as required to assist with any short-term cash flow impacts.

DIRECTORS' REPORT
For the half year ended 30 June 2021

On 26 July 2021, GPT withdrew its FFO and distribution guidance for the 12 month period to 31 December 2021 given the uncertainty in relation to the duration and impacts of the measures being implemented to suppress the spread of COVID-19 in both Sydney and Melbourne.

On 16 July 2021, 23,448sqm of land adjacent to the Rouse Hill Town Centre, held by the Group as inventory, was acquired by the NSW Government through a compulsory acquisition process. The final sale price to be received by the Group is yet to be determined.

Post the balance date, the Group entered into exclusive due diligence to acquire a portfolio from Ascot Capital for approximately $800 million, comprising 26 logistics and industrial assets, together with 4 office assets. There is no certainty that a transaction with Ascot Capital will be completed.

Other than the above, the Directors are not aware of any matter or circumstances occurring since 30 June 2021 that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years.

4. DIRECTORS

The Directors of GPT Management Holdings Limited and GPT RE Limited at any time during or since the end of the half year are:

(i) Chairman and Independent Non-Executive Director
Vickki McFadden (appointed March 2018, Chairman from May 2018)

(ii) Chief Executive Officer, Managing Director and Executive Director
Bob Johnson (appointed September 2015)

(iii) Non-Executive Directors
Tracy Horton AO (appointed May 2019)
Angus McNaughton (appointed November 2018)
Mark Menhinnitt (appointed October 2019)
Michelle Somerville (appointed December 2015)
Robert Whitfield AM (appointed May 2020)

5. 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 12 and forms part of the Directors' Report.

6. ROUNDING OF AMOUNTS

The amounts contained in this report and in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated (where rounding is applicable) under the option available to the Consolidated Entity under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. The Consolidated Entity is an entity to which the Instrument applies.

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

Vickki McFadden
Chairman

Bob Johnston
Chief Executive Officer and Managing Director

Sydney
16 August 2021

Auditor's Independence Declaration

As lead auditor for the review of GPT Management Holdings Limited for the half-year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of GPT Management Holdings Limited and the entities it controlled during the period.

S. Horl

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
16 August 2021

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FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Half year ended 30 June 2021

	Note	30 Jun 21 $'000	30 Jun 20 Restated(1) $'000
Revenue			
Fund management fees		**48,311**	42,503
Property management fees		**21,400**	16,907
Development management fees		**9,826**	9,485
Management costs recharged		**15,353**	14,826
		94,890	83,721
Other income			
Share of after tax profit of equity accounted investments		**6**	4,539
Interest revenue		**67**	132
Proceeds from sale of inventory		**11,716**	735
		11,789	5,406
Total revenue and other income		**106,679**	89,127
Expenses			
Remuneration expenses		**56,646**	37,670
Cost of sale of inventory		**9,727**	670
Property expenses and outgoings		**1,672**	1,894
Repairs and maintenance		**5,389**	5,953
Professional fees		**2,088**	1,784
Depreciation of right-of-use asset		**4,837**	4,723
Depreciation		**1,235**	2,700
Amortisation		**1,024**	1,445
Revaluation of financial arrangements		**(11,320)**	6,312
Impairment expense		**2,405**	262
Finance costs		**2,110**	1,823
Other expenses		**6,037**	2,568
Total expenses		**81,850**	67,804
Profit before income tax		**24,829**	21,323
Income tax expense		**4,252**	7,240
Profit after income tax from continuing operations		**20,577**	14,083
Loss from discontinued operations		**-**	(6,000)
Net profit for the half year		**20,577**	8,083
Other comprehensive income from discontinued operations			
Items that may be reclassified to profit and loss			
Net foreign exchange translation adjustments		**-**	8
Total comprehensive profit for the half year		**20,577**	8,091
Net profit attributable to:			
- Members of the Company		**20,574**	5,762
- Non-controlling interest		**3**	2,321
Total comprehensive income attributable to:			
- Members of the Company		**20,574**	5,770
- Non-controlling interest		**3**	2,321
Earnings per share attributable to the ordinary equity holders of the Company(1)			
Basic and diluted earnings per share (cents per share) from continuing operations	8(a)	**1.06**	0.60
Basic earnings per share (cents per share) - total	8(a)	**1.06**	0.29

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

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

GPT MANAGEMENT HOLDINGS LIMITED AND ITS CONTROLLED ENTITIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Note	30 Jun 21 $'000	31 Dec 20 Restated[1] $'000
ASSETS			
Current assets			
Cash and cash equivalents		**17,905**	22,968
Trade receivables		**52,501**	46,316
Other receivables		**129**	1,685
Inventories	4	**24,059**	61,412
Prepayments		**2,200**	6,435
Total current assets		**96,794**	138,816
Non-current assets			
Intangible assets	3	**24,620**	24,739
Property, plant and equipment	5	**9,767**	10,605
Inventories	4	**94,397**	64,078
Equity accounted investments	2	**23,686**	26,011
Right-of-use assets		**52,109**	45,850
Deferred tax asset		**19,291**	15,609
Other assets	6	**4,736**	4,693
Total non-current assets		**228,606**	191,585
Total assets		**325,400**	330,401
LIABILITIES			
Current liabilities			
Payables		**18,742**	15,107
Current tax liability		**7,324**	2,000
Provisions		**17,266**	17,579
Borrowings	10	**3,417**	5,005
Lease liabilities		**10,137**	8,761
Total current liabilities		**56,886**	48,452
Non-current liabilities			
Borrowings	10	**150,318**	192,923
Provisions		**3,996**	3,250
Lease liabilities		**54,399**	46,576
Total non-current liabilities		**208,713**	242,749
Total liabilities		**265,599**	291,201
Net assets		**59,801**	39,200
EQUITY			
Contributed equity	7	**331,842**	331,974
Reserves		**18,149**	17,982
Accumulated losses		**(308,766)**	(329,329)
Total equity attributable to Company members		**41,225**	20,627
Non-controlling interests		**18,576**	18,573
Total equity		**59,801**	39,200

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Half year ended 30 June 2021

		Company				Non-controlling interests			
	Note	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Contributed equity $'000	Accumulated losses $'000	Total $'000	Total equity $'000
Equity attributable to Company Members									
At 31 December 2019		331,974	20,144	(248,104)	104,014	21,172	(4,891)	16,281	120,295
Change in accounting policy [1]		-	-	(11,591)	(11,591)	-	-	-	(11,591)
At 1 January 2020		331,974	20,144	(259,695)	92,423	21,172	(4,891)	16,281	108,704
Foreign currency translation reserve		-	8	-	8	-	-	-	8
Other comprehensive income for the half year		-	8	-	8	-	-	-	8
Profit for the half year[1]		-	-	5,762	5,762	-	2,321	2,321	8,083
Total comprehensive income for the half year		-	8	5,762	5,770	-	2,321	2,321	8,091
Transactions with Members in their capacity as Members									
Movement in employee incentive security scheme reserve net of tax		-	(1,978)	-	(1,978)	-	-	-	(1,978)
At 30 June 2020		331,974	18,174	(253,933)	96,215	21,172	(2,570)	18,602	114,817
Equity attributable to Company Members									
At 1 January 2021		**331,974**	**17,982**	**(329,329)**	**20,627**	**21,172**	**(2,599)**	**18,573**	**39,200**
Other comprehensive income for the half year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Profit for the half year		**-**	**-**	**20,574**	**20,574**	**-**	**3**	**3**	**20,577**
Total comprehensive income for the half year		**-**	**-**	**20,574**	**20,574**	**-**	**3**	**3**	**20,577**
Transactions with Members in their capacity as Members									
On-market share buy back	7	**(132)**			**(132)**				**(132)**
Movement in employee incentive security scheme reserve net of tax		**-**	**156**	**-**	**156**	**-**	**-**	**-**	**156**
Reclassification of employee incentive security scheme reserve to accumulated losses		**-**	**11**	**(11)**	**-**	**-**	**-**	**-**	**-**
At 30 June 2021		**331,842**	**18,149**	**(308,766)**	**41,225**	**21,172**	**(2,596)**	**18,576**	**59,801**

(1) The Consolidated Entity's opening accumulated losses and profit for the half year have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

Half year ended 30 June 2021

	Note	30 Jun 21 $'000	30 Jun 20 Restated(1) $'000
Cash flows from operating activities			
Receipts in the course of operations (inclusive of GST)		**99,358**	94,763
Payments in the course of operations (inclusive of GST)		**(72,675)**	(94,866)
Proceeds from the sale of inventories		**11,716**	735
Payments for inventories		**(1,776)**	(4,014)
Interest received		**34**	132
Finance costs paid		**(1,005)**	(1,114)
Income taxes paid		**(2,473)**	(2,289)
Net cash inflows/(outflows) from operating activities	11	**33,179**	(6,653)
Cash flows from investing activities			
Payments for property, plant and equipment		**(638)**	(2,312)
Payments for intangibles		**(1,075)**	(6,605)
Net cash outflows from investing activities		**(1,713)**	(8,917)
Cash flows from financing activities			
Payment for on-market buy-back of securities		**(132)**	-
Repayment of related party borrowings		**(76,308)**	(129,339)
Proceeds from related party borrowings		**45,885**	146,579
Repayments of borrowings		**(1,734)**	(169)
Proceeds from borrowings		**142**	236
Principal elements of lease payments		**(4,382)**	(3,889)
Net cash (outflows)/inflows from financing activities		**(36,529)**	13,418
Net cash decrease in cash and cash equivalents		**(5,063)**	(2,152)
Cash and cash equivalents at the beginning of the year		**22,968**	21,677
Cash and cash equivalents at the end of the year		**17,905**	19,525

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

Half year ended 30 June 2021

These are the consolidated financial statements of GPT Management Holdings Limited and its controlled entities (the Consolidated Entity).

The notes to these financial statements are organised into sections to help users find and understand the information they need to know. Additional information is also provided where it is helpful to understand the Consolidated Entity's performance.

The notes to the financial statements are organised into the following sections:
Note 1 - Result for the half year: focuses on results and performance of the Consolidated Entity.
Notes 2 to 6 - Operating assets: provides information on the assets used to generate the Consolidated Entity's trading performance.
Notes 7 to 10 - Capital structure: outlines how the Consolidated Entity manages its capital structure and various financial risks.
Notes 11 to 17 - Other disclosure items: provides information on other items that must be disclosed to comply with Australian Accounting Standards and other regulatory pronouncements.

Key judgements, estimates and assumptions
In applying the Consolidated Entity's accounting policies, management has made a number of judgements, estimates and assumptions regarding future events.

The Consolidated Entity has assessed key judgements and estimates in light of the ongoing COVID-19 pandemic and adjusted the underlying assumptions accordingly. Items marked with (*) contain judgements and estimates which have been significantly impacted by COVID-19 in either the current or comparative period.

The following judgements and estimates have the potential to have a material impact on the financial statements:

Area of judgements and estimates	**Assumptions underlying**	**Note**
Equity accounted investments	Assessment of control versus disclosure guidance	2
Management rights with indefinite life	Impairment trigger and recoverable amounts	3
IT development and software*	Impairment trigger and recoverable amounts	3
Inventories	Lower of cost and net realisable value	4
Property, plant and equipment	Useful life	5
Related party borrowings at fair value	Fair value	10
Investment in financial assets	Fair value	14
Lease liabilities	Lease term and incremental borrowing rate	16(c)(iv)
Right-of-use assets*	Impairment trigger and recoverable amounts	16(c)(iv)
Deferred tax assets	Recoverability	16(c)(v)
Security based payments*	Fair value	16(c)(vi)
Provisions	Estimates of future obligations and probability of outflow	16(c)(vii)

RESULT FOR THE HALF YEAR

1. SEGMENT INFORMATION

The chief operating decision makers monitor the performance of the business in a manner consistent with that of the financial report. Refer to the Consolidated Statement of Comprehensive Income for the segment financial performance and the Consolidated Statement of Financial Position for the total assets and liabilities.

OPERATING ASSETS

2. EQUITY ACCOUNTED INVESTMENTS

	Note	**30 Jun 21** **$'000**	31 Dec 20 $'000
Investments in joint ventures	(i)	**13,685**	16,010
Investments in associates	(ii)	**10,001**	10,001
Total equity accounted investments		**23,686**	26,011

NOTES TO THE FINANCIAL STATEMENTS

Half year ended 30 June 2021

Details of equity accounted investments

Name	Principal activity	Ownership interest 30 Jun 21 %	Ownership interest 31 Dec 20 %	30 Jun 21 $'000	31 Dec 20 $'000
(i) Joint ventures					
Lendlease GPT (Rouse Hill) Pty Limited[(1)]	Property development	**50.00**	50.00	**13,685**	16,010
Total investment in joint ventures				**13,685**	16,010
(ii) Associates					
DPT Operator No. 1 Pty Limited	Management	**91.67**	91.67	**-**	-
DPT Operator No. 2 Pty Limited	Management	**91.67**	91.67	**1**	1
GPT Funds Management Limited	Funds management	**100.00**	100.00	**10,000**	10,000
Total investment in associates				**10,001**	10,001

(1) The entity has a 30 June balance date. The Consolidated Entity has a 50 per cent interest in Lendlease GPT (Rouse Hill) Pty Limited, a joint venture developing residential and commercial land at Rouse Hill, in partnership with Landcom and the NSW Department of Planning. The Consolidated Entity's interest is held through a subsidiary that is 52 per cent owned by the Consolidated Entity and 48 per cent owned by the Trust.

3. INTANGIBLE ASSETS

	Management rights $'000	IT development and software[(1)] $'000	Total $'000
Cost			
At 1 January 2020	55,825	53,820	109,645
Additions	-	8,672	8,672
Transfers	-	(17)	(17)
Write-off	(3,783)	(8,252)	(12,035)
At 31 December 2020	52,042	54,223	106,265
Additions	**-**	**948**	**948**
Write-off	**-**	**(12,268)**	**(12,268)**
At 30 June 2021	**52,042**	**42,903**	**94,945**
Accumulated amortisation and impairment			
At 1 January 2020	(45,606)	(45,253)	(90,859)
Amortisation	(34)	(2,566)	(2,600)
Impairment	-	(102)	(102)
Write-off	3,783	8,252	12,035
At 31 December 2020	(41,857)	(39,669)	(81,526)
Amortisation	**-**	**(1,024)**	**(1,024)**
Impairment	**-**	**(43)**	**(43)**
Write-off	**-**	**12,268**	**12,268**
At 30 June 2021	**(41,857)**	**(28,468)**	**(70,325)**
Carrying amounts			
At 31 December 2020	10,185	14,554	24,739
At 30 June 2021	**10,185**	**14,435**	**24,620**

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

Management rights

Management rights include property management and development management rights. Rights are initially measured at cost and rights with a definite life are subsequently amortised over their useful life.

For the management rights of Highpoint Shopping Centre, management considers the useful life as indefinite as there is no fixed term included in the management agreement. Therefore, the Consolidated Entity tests for impairment at balance date. Assets are impaired if the carrying value exceeds their recoverable amount. The recoverable amount is determined using a discounted cashflow. A 13% pre-tax discount rate and 2.88% growth rate have been applied to these asset specific cash flow projections.

During the half year management tested all inputs in the fair value assessment of the management rights and have adjusted these inputs where they have been impacted by the ongoing COVID-19 pandemic. Based on this assessment management believes that the fair value of the management rights remains appropriate and no impairment is required.

IT development and software

Costs incurred in developing systems and acquiring software that will contribute future financial benefits and which the Consolidated Entity controls are capitalised until the software is capable of operating in the manner intended by management. These include external direct costs of materials and services and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over the length of time that benefits are expected to be received, generally ranging from 5 to 10 years.

IT development and software are assessed for impairment at each reporting date by evaluating if any impairment triggers exist. When impairment indicators exist, management calculate the recoverable amount. The asset is impaired if the carrying amount exceeds the recoverable amount. Critical judgements are made by management in setting appropriate impairment indicators and assumptions used to determine the recoverable amount.

Management has reviewed the impairment indicators for the half year and have recorded an impairment where appropriate. Management believe the carrying value reflects the recoverable amount.

4. INVENTORIES

	30 Jun 21 $'000	31 Dec 20 $'000
Development properties	**24,059**	61,412
Current inventories	**24,059**	61,412
Development properties	**94,397**	64,078
Non-current inventories	**94,397**	64,078
Total inventories	**118,456**	125,490

Development properties held as inventory to be sold are stated at the lower of cost and net realisable value (NRV).

Cost
Cost includes the cost of acquisition, development, finance costs and all other costs directly related to specific projects including an allocation of direct overhead expenses. Post completion of the development, finance costs and other holding charges are expensed as incurred.

NRV
The NRV is the estimated selling price in the ordinary course of business less estimated costs to sell. At each reporting date, management reviews these estimates by considering:

- the most reliable evidence; and
- any events which confirm conditions existing at the period end and cause any fluctuations of selling price and costs to sell.

The amount of any inventories write down is recognised as an impairment expense in the Consolidated Statement of Comprehensive Income.

The Consolidated Entity completed NRV assessments for each development for the half year and has compared the results to the cost of each development. As a result impairment expense of $123,000 was reversed during the period in relation to 121 Foundation Road, Truganina.

5. PROPERTY, PLANT AND EQUIPMENT

	30 Jun 21 $'000	31 Dec 20 $'000
Computers		
At cost	**20,608**	19,541
Less: accumulated depreciation	**(15,328)**	(14,539)
Total computers	**5,280**	5,002
Office fixtures and fittings		
At cost	**15,893**	16,563
Less: accumulated depreciation	**(11,406)**	(10,960)
Total office fixtures and fittings	**4,487**	5,603
Total property, plant and equipment	**9,767**	10,605

Reconciliations of the carrying amount of property, plant and equipment at the beginning and end of the financial period are set out below:

	Computers $'000	**Office fixtures & fittings $'000**	**Total $'000**
At 1 January 2020			
Opening carrying value	2,443	8,049	10,492
Additions	3,547	172	3,719
Disposals	(26)	-	(26)
Transfers	7	10	17
Depreciation	(969)	(2,628)	(3,597)
At 31 December 2020	5,002	5,603	10,605
At 1 January 2021			
Opening carrying value	**5,002**	**5,603**	**10,605**
Additions	**552**	**6**	**558**
Disposals	**(27)**	**(134)**	**(161)**
Transfers	**542**	**(542)**	**-**
Depreciation	**(789)**	**(446)**	**(1,235)**
At 30 June 2021	**5,280**	**4,487**	**9,767**

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

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

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

The Consolidated Entity has assessed the property plant and equipment for impairment indicators and do not believe there are any indicators that suggest the assets may be impaired.

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

6. OTHER ASSETS

	30 Jun 21 $'000	31 Dec 20 $'000
Lease incentive asset	**354**	364
Other asset	**4,382**	4,329
Total other assets	**4,736**	4,693

CAPITAL STRUCTURE

7. EQUITY

	Number	**$'000**
Ordinary stapled securities		
Opening securities on issue at 1 January 2020	1,947,929,316	331,974
Closing securities on issue at 30 June 2020	1,947,929,316	331,974
Opening securities on issue at 1 January 2021	**1,947,929,316**	**331,974**
On-market share buy back(1)	**(32,351,886)**	**(132)**
Closing securities on issue at 30 June 2021	**1,915,577,430**	**331,842**

(1) On 15 February 2021, the Group announced an on-market buy-back of GPT securities, with transactions occurring between 3 March 2021 and 1 June 2021 at an average price of $4.54 per security.

8. EARNINGS PER SHARE

(a) Basic and diluted earnings per share

	30 Jun 21 Cents	30 Jun 20(1) Cents
Basic and diluted earnings per share - profit from continuing operations	**1.06**	0.60
Basic and diluted loss per share - loss from discontinued operations	**-**	(0.31)
Total basic and diluted earnings per share	**1.06**	0.29

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

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

Profit reconciliation - basic and diluted	**30 Jun 21 $'000**	30 Jun 20(1) $'000
Profit from continuing operations	**20,574**	11,762
Loss from discontinued operations	**-**	(6,000)
Profit attributed to external non-controlling interest	**3**	2,321
	20,577	8,083

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

(c) WANOS

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

	30 Jun 21 Number of shares '000s	30 Jun 20 Number of shares '000s
WANOS used as denominator in calculating basic earnings per ordinary share	**1,933,232**	1,947,929
Performance security rights (weighted average basis)[1]	**264**	9
WANOS used as denominator in calculating diluted earnings per ordinary share	**1,933,496**	1,947,938

(1) Performance security rights granted under the Long Term Incentive plan are only included in dilutive earnings per ordinary share where the performance hurdles are met as at the year end.

9. DIVIDENDS PAID AND PAYABLE

No dividends have been paid or declared for the half year to 30 June 2021 (2020: nil).

10. BORROWINGS

	30 Jun 21		31 Dec 20	
	Carrying amount[1] $'000	**Fair value[2] $'000**	Carrying amount[1] $'000	Fair value[2] $'000
Current borrowings at amortised cost - secured	**3,417**	**3,418**	5,005	5,010
Current borrowings	**3,417**	**3,418**	5,005	5,010
Non-current borrowings from joint ventures at amortised cost	**6,636**	**6,636**	9,000	9,000
Non-current related party borrowings from GPT Trust at amortised cost	**84,735**	**84,735**	113,656	113,656
Non-current related party borrowings from GPT Trust at fair value	**58,947**	**58,947**	70,267	70,267
Non-current borrowings	**150,318**	**150,318**	192,923	192,923
Total borrowings	**153,735**	**153,736**	197,928	197,933

(1) Including unamortised establishment costs.
(2) For the majority of borrowings, the carrying amount approximates its fair value. The fair value of fixed rate interest-bearing borrowings is estimated by discounting the future contractual cash flows at the current market interest rate curve. Excluding unamortised establishment costs.

The related party borrowings from GPT Trust at fair value are subject to limited recourse based on available funds determined by the repayment fund calculation in the loan agreement. During the period, management determined the fair value of these borrowings by forecasting a best estimate of future repayments. The repayments have been discounted at a risk adjusted rate appropriate to the Consolidated Entity to determine the fair value. This has resulted in a revaluation decrement of $11,320,000 being recognised on the face of the Consolidated Statement of Comprehensive Income during the period as a result of the historical loans with the Trust being valued at $58,947,000 at 30 June 2021 (Dec 2020: $70,267,000). Refer to note 14 for further information on the fair value calculations.

GPT Trust has suspended interest in connection with the above loans from 3 September 2015. The lender has the option to reinstate interest. The loans are accounted for as non-revolving interest free borrowings that are revalued each reporting date in accordance with accounting standards.

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

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

When the terms of a financial liability are modified, AASB 9 requires an entity to perform an assessment to determine whether the modified terms are substantially different from the existing financial liability. Where a modification is substantial, it will be accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. Where the modification does not result in extinguishment, the difference between the existing carrying amount of the financial liability and the modified cash flows discounted at the original effective interest rate is recognised in the Consolidated Statement of Comprehensive Income as gain/loss on modification of financial liability. There were no modified terms relevant to the Consolidated Entity’s intercompany loans for the half year ended 30 June 2021.

NOTES TO THE FINANCIAL STATEMENTS
Half year ended 30 June 2021

The maturity profile of borrowings is provided below:

	Total facility[(1)] $'000	Used facility[(1)] $'000	Unused facility $'000
Due within one year	3,979	3,418	561
Due between one and five years	195,336	90,144	105,192
Due after five years	410,918	397,145	13,773
	610,233	**490,707**	**119,526**
Cash and cash equivalents			**17,905**
Less: cash and cash equivalents held for AFSLs			**(10,150)**
Total financing resources available at the end of the half year			**127,281**

(1) Excludes unamortised establishment costs and fair value adjustments.

Cash and cash equivalents includes cash on hand, cash at bank and short term money market deposits.

The borrowings set out in the maturity tables above include the full outstanding balance of the loans that have been revalued on the face of the Consolidated Statement of Financial Position.

OTHER DISCLOSURE ITEMS

11. CASH FLOW INFORMATION

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

	30 Jun 21 $'000	30 Jun 20 Restated[(1)] $'000
Net profit for the year	**20,577**	8,083
Share of after tax profit of equity accounted investments (net of distributions)	**(6)**	(4,539)
Impairment expense	**2,405**	262
Non-cash employee benefits - security based payments	**769**	(4,884)
Fair value movement of investment in trust	**-**	312
Interest capitalised	**(485)**	(846)
Amortisation of rental abatement	**59**	113
Depreciation expense	**1,235**	2,700
Depreciation of right-of-use assets	**4,837**	4,723
Amortisation expense	**1,024**	1,445
Non-cash finance costs	**2,461**	2,481
Revaluation of financial arrangements	**(11,320)**	12,000
Profit on sale of inventory	**(1,988)**	(65)
Payments for inventories	**(1,776)**	(4,014)
Proceeds from inventories	**11,716**	735
Decrease in operating assets	**1,174**	10,332
Increase/(decrease) in operating liabilities	**2,420**	(34,500)
Other	**77**	(991)
Net cash inflows/(outflows) from operating activities	**33,179**	(6,653)

(1) The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

12. COMMITMENTS

(a) Capital expenditure commitments
Capital expenditure commitments at 30 June 2021 were $1,145,000 (Dec 2020: $1,073,000).

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

The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 15 for details.

(b) Commitments relating to equity accounted investments

	30 Jun 21 $'000	31 Dec 20 $'000
Capital expenditure commitments	**28**	32
Total joint venture and associates commitments	**28**	32

The capital expenditure commitments in the Consolidated Entity's equity accounted investments at 30 June 2021 relate to Lendlease GPT (Rouse Hill) Pty Limited (Dec 2020: Lendlease GPT (Rouse Hill) Pty Limited).

13. CONTINGENT LIABILITIES

A contingent liability is a liability that is not sufficiently certain to qualify for recognition as a provision where uncertainty may exist regarding the outcome of future events.

GPT Management Holdings Ltd has provided guarantees over GPT RE Limited as responsible entity of the Trust's obligations under the note purchase and guarantee agreements in relation to US Private Placement issuances totalling US$1,205,000,000 and A$65,000,000 until July 2034.

Apart from the matter referred to above, there are no other material contingent liabilities at reporting date.

14. FAIR VALUE DISCLOSURES

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

(a) Fair value measurement, valuation techniques and inputs

Class of assets / liabilities	Fair value hierarchy	Valuation technique	Classification under AASB 9	Inputs used to measure fair value	Range of unobservable inputs **30 Jun 21**	Range of unobservable inputs 30 Dec 20
Investment in financial assets	Level 1	Market price	Fair value through the profit and loss	Market price	Not applicable - observable input	
Interest free loans from the Trust	Level 3	Discounted cash flow	Fair value through the profit and loss	Discount rate	5.99%	6.13%

The different levels of the fair value hierarchy have been defined as follows:
Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs).

15. CHANGE IN ACCOUNTING POLICY

Implementation costs relating to Software as a Service (SaaS) platforms
In March 2021, the IFRS Interpretations Committee (IFRIC) released an agenda decision relating to the application of IAS 38 *Intangible Assets* to *Configuration or Customisation Costs in a Cloud Computing Arrangement*. Based on the observations made in IFRIC's agenda decision, the Consolidated Entity considers costs an organisation incurs in relation to the configuration and customisation of SaaS platforms does not meet the criteria for recognition as an intangible asset, as the supplier of the software and not the organisation, controls the software. As a result, these costs should be immediately expensed as incurred.

Under the Consolidated Entity's previous accounting policy, these costs were capitalised and amortised on a straight-line basis over the length of time the benefits were expected to be received (refer to note 3). The Consolidated Entity has updated its accounting policy to comply with the IFRIC agenda decision, and applied AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to reflect this change.

The Consolidated Entity has restated comparative information in the financial statements to reflect this change in accounting policy, and has adjusted opening balances in the Consolidated Statement of Financial Position as at 1 January 2020.

The notes below disclose the impact of the change in accounting policy in the financial information of the Consolidated Entity at the beginning of the comparative period, during and at the end of the comparative period. Note 15(c) discloses the impact during and at the end of the current period.

NOTES TO THE FINANCIAL STATEMENTS
Half year ended 30 June 2021

(a) Adjustments as at 1 January 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Extract)	1 Jan 20 Prior year $'000	Increase / (decrease) $'000	1 Jan 20 Restated $'000
ASSETS			
Non-current assets			
Intangible assets	35,344	(16,558)	18,786
Deferred tax asset	19,576	4,967	24,543
Total non-current assets	**263,600**	**(11,591)**	**252,009**
Total assets	**346,720**	**(11,591)**	**335,129**
Net assets	**120,295**	**(11,591)**	**108,704**
EQUITY			
Accumulated losses	(248,104)	(11,591)	(259,695)
Total equity attributable to Company members	**104,014**	**(11,591)**	**92,423**
Total equity	**120,295**	**(11,591)**	**108,704**

(b) Adjustments to comparative information

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Extract)	30 Jun 20 Prior year $'000	Increase / (decrease) $'000	30 Jun 20 Restated $'000
Expenses			
Repairs and maintenance	2,163	3,790	5,953
Amortisation	2,625	(1,180)	1,445
Impairment expense	995	(733)	262
Total expenses	**65,927**	**1,877**	**67,804**
Profit before income tax	**23,200**	**(1,877)**	**21,323**
Income tax expense	7,803	(563)	7,240
Profit after income tax from continuing operations	**15,397**	**(1,314)**	**14,083**
Net profit for the half year	**9,397**	**(1,314)**	**8,083**
Total comprehensive profit for the half year	**9,405**	**(1,314)**	**8,091**
Net profit attributable to:			
- Members of the Company	7,076	(1,314)	5,762
Total comprehensive income attributable to:			
- Members of the Company	7,084	(1,314)	5,770
Earnings per share attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share (cents per share) from continuing operations	0.67	(0.07)	0.60
Basic and diluted earnings per share (cents per share) - Total	0.36	(0.07)	0.29

NOTES TO THE FINANCIAL STATEMENTS
Half year ended 30 June 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Extract)	31 Dec 20 Prior year $'000	Increase / (decrease) $'000	31 Dec 20 Restated $'000
ASSETS			
Non-current assets			
Intangible assets	41,457	(16,718)	24,739
Deferred tax asset	10,595	5,014	15,609
Total non-current assets	**203,289**	**(11,704)**	**191,585**
Total assets	**342,105**	**(11,704)**	**330,401**
Net assets	**50,904**	**(11,704)**	**39,200**
EQUITY			
Accumulated losses	(317,625)	(11,704)	(329,329)
Total equity attributable to Company members	**32,331**	**(11,704)**	**20,627**
Total equity	**50,904**	**(11,704)**	**39,200**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Extract)	30 Jun 20 Prior year $'000	Increase / (decrease) $'000	30 Jun 20 Restated $'000
Equity attributable to Company Members			
Company accumulated losses			
Profit for the half year	7,076	(1,314)	5,762
Total comprehensive income for the half year	**7,076**	**(1,314)**	**5,762**
Company total			
Profit for the half year	7,076	(1,314)	5,762
Total comprehensive income for the year	**7,084**	**(1,314)**	**5,770**
Total equity			
Profit for the year	9,397	(1,314)	8,083
Total comprehensive income for the year	**9,405**	**(1,314)**	**8,091**
Transactions with Members in their capacity as Members			
Company accumulated losses			
At 30 June 2020	**(241,028)**	**(12,905)**	**(253,933)**
Company total			
At 30 June 2020	**109,120**	**(12,905)**	**96,215**
Total equity			
At 30 June 2020	**127,722**	**(12,905)**	**114,817**

CONSOLIDATED STATEMENT OF CASHFLOWS

(Extract)	30 Jun 20 Prior year $'000	Increase / (decrease) $'000	30 Jun 20 Restated $'000
Cash flows from operating activities			
Payments in the course of operations (inclusive of GST)	(91,076)	(3,790)	(94,866)
Net cash (outflows) from operating activities	**(2,863)**	**(3,790)**	**(6,653)**
Cash flows from investing activities			
Payments for intangibles	(10,395)	3,790	(6,605)
Net cash outflows from investing activities	**(12,707)**	**3,790**	**(8,917)**

NOTES TO THE FINANCIAL STATEMENTS
Half year ended 30 June 2021

(c) Adjustments for the period to 30 June 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Extract)	30 Jun 21 Original policy $'000	Increase / (decrease) $'000	30 Jun 21 New policy $'000
Expenses			
Repairs and maintenance	3,200	2,189	5,389
Amortisation	3,257	(2,233)	1,024
Total expenses	**81,894**	**(44)**	**81,850**
Profit before income tax	**24,785**	**44**	**24,829**
Income tax expense	4,239	13	4,252
Profit after income tax from continuing operations	**20,546**	**31**	**20,577**
Net profit for the half year	**20,546**	**31**	**20,577**
Total comprehensive profit for the half year	**20,546**	**31**	**20,577**
Net profit attributable to:			
- Members of the Company	20,543	31	20,574
Total comprehensive income attributable to:			
- Members of the Company	20,543	31	20,574
Earnings per share attributable to the ordinary equity holders of the Company			
Basic and diluted earnings per share (cents per share) from continuing operations	1.06	-	1.06
Basic and diluted earnings per share (cents per share) - Total	1.06	-	1.06

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Extract)	30 Jun 21 Original policy $'000	Increase / (decrease) $'000	30 Jun 21 New policy $'000
ASSETS			
Non-current assets			
Intangible assets	41,294	(16,674)	24,620
Deferred tax asset	14,290	5,001	19,291
Total non-current assets	**240,279**	**(11,673)**	**228,606**
Total assets	**337,073**	**(11,673)**	**325,400**
Net assets	**71,474**	**(11,673)**	**59,801**
EQUITY			
Accumulated losses	(297,093)	(11,673)	(308,766)
Total equity attributable to Company members	**52,898**	**(11,673)**	**41,225**
Total equity	**71,474**	**(11,673)**	**59,801**

NOTES TO THE FINANCIAL STATEMENTS
Half year ended 30 June 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Extract)	30 Jun 21 Original policy $'000	Increase / (decrease) $'000	30 Jun 21 New policy $'000
Equity attributable to Company Members			
Company accumulated losses			
Profit for the half year	20,543	31	20,574
Total comprehensive income for the half year	**20,543**	**31**	**20,574**
Company total			
Profit for the half year	20,543	31	20,574
Total comprehensive income for the year	**20,543**	**31**	**20,574**
Total equity			
Profit for the year	20,546	31	20,577
Total comprehensive income for the year	**20,546**	**31**	**20,577**
Transactions with Members in their capacity as Members			
Company accumulated losses			
At 30 June 2021	**(297,093)**	**(11,673)**	**(308,766)**
Company total			
At 30 June 2021	**52,898**	**(11,673)**	**41,225**
Total equity			
At 30 June 2021	**71,474**	**(11,673)**	**59,801**

CONSOLIDATED STATEMENT OF CASHFLOWS

(Extract)	30 Jun 21 Original policy $'000	Increase / (decrease) $'000	30 Jun 21 New policy $'000
Cash flows from operating activities			
Payments in the course of operations (inclusive of GST)	(70,486)	(2,189)	(72,675)
Net cash inflows from operating activities	**35,368**	**(2,189)**	**33,179**
Cash flows from investing activities			
Payments for intangibles	(3,264)	2,189	(1,075)
Net cash outflows from investing activities	**(3,902)**	**2,189**	**(1,713)**

16. ACCOUNTING POLICIES, KEY JUDGEMENTS AND ESTIMATES

(a) Basis of preparation

The general purpose financial report has been prepared:

- in accordance with the requirements of the Company's constitution, *Corporations Act 2001*, Australian Accounting Standard AASB 134 *Interim Financial Reporting;*
- in accordance with the recognition and measurement requirements of the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB);
- on a going concern basis. The Consolidated Entity has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of these financial statements. As set out in note 10, the Consolidated Entity has access to $127,281,000 in cash and undrawn loan facilities and future cashflow assessments have been made, taking into consideration appropriate probability-weighted factors. The Consolidated Entity is confident in the belief it will realise its assets and settle its liabilities and commitments in the normal course of business for at least the amounts stated in the financial statements. (Refer to section (b) for further information);
- under the historical cost convention, as modified by the revaluation for financial assets and liabilities at fair value through the Consolidated Statement of Comprehensive Income;
- using consistent accounting policies and adjustments to align any dissimilar accounting policies adopted by the controlled entities, associates or joint ventures; and
- in Australian dollars with all values rounded to the nearest thousand dollars, in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

This interim financial report does not include all the notes of the type normally included within the annual financial report. Therefore, it is recommended this report be read in conjunction with the annual financial report for the year ended 31 December 2020.

Comparatives in the financial statements have been restated to the current year presentation.

The financial report was approved by the Board of Directors on 16 August 2021.

(b) Going concern

The Consolidated Entity's financial position is highly dependent on the financial position of GPT given that the Consolidated Entity is funded through intercompany loans from GPT.

Due to the uncertainty created by COVID-19, GPT has performed additional procedures to assess going concern. GPT believes it is able to meet its liabilities and commitments as and when they fall due for at least 12 months from the reporting date. In reaching this position, GPT has taken into account the following factors:

- Available liquidity, through cash and undrawn facilities of $1,323.6 million (after allowing for refinancing of $586.0 million of outstanding commercial paper as at 30 June 2021);
- Weighted average debt expiry of 7.4 years, with less than $5.0 million of debt (excluding commercial paper outstanding) due between the date of this report and 30 June 2022;
- Interest rate hedging level of 67 per cent over the next 12 months;
- Primary covenant gearing of 24.9 per cent, compared to a covenant level of 50.0 per cent; and
- Interest cover ratio for the six months to 30 June 2021 of 7.9 times, compared to a covenant level of 2.0 times.

(c) Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of new and amended standards and interpretations commencing 1 January 2021 which were adopted where applicable. The Consolidated Entity has restated comparative information to reflect the March 2021 IFRIC agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement* (IAS 38 *Intangible Asset)*. Refer to note 15.

(i) Revenue

Revenue from contracts with customers

Revenue is recognised over time if:

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

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

(ii) Government grants

In the period to 30 June 2020 the Consolidated Entity had received $2,743,500 and had $1,340,000 receivable under the Federal Government's Jobkeeper program. This was accounted for as a government grant under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. The standard provides the option to present these amounts as income or as a reduction in employee benefits expense. The Consolidated Entity elected to present these amounts as a reduction in employee benefits expense as this best reflected the underlying substance of the transaction for the Consolidated Entity. The Consolidated Entity has not received any government grants in the current period.

(iii) Trade receivables
Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method less any allowance under the ‘expected credit loss’ (ECL) model. The Consolidated Entity holds these financial assets in order to collect the contractual cash flows, and the contractual terms are solely payments of outstanding principal and interest on the principal amount outstanding.

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

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

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

Lifetime ECLs result from all possible default events over the expected life of the trade receivable and are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the contracted cash flows due to the Consolidated Entity and the cash flows expected to be received). A default on trade receivables is when the counterparty fails to make contractual payments when they fall due and management determines that the debt is uncollectible.

COVID-19 has resulted in the Consolidated Entity reviewing its methodology to determine an estimated lifetime ECL in the current period, with historical default percentages no longer the most appropriate means of predicting future default events. The Consolidated Entity has assessed the likelihood of defaults and debt forgiveness and there have been no changes to the ECL provision as a result of the COVID-19 pandemic.

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

(iv) Leases
Payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in the Consolidated Statement of Comprehensive Income. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

Lease liabilities are initially measured at the present value of the lease payments discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Consolidated Entity’s incremental borrowing rate is used. The incremental borrowing rate is calculated by interpolating or extrapolating secondary market yields on the Group’s domestic medium term notes (MTNs) for a term equivalent to the lease. If there are no MTNs that mature within a reasonable proximity of the lease term, indicative pricing of where the Group can price a new debt capital market issue for a comparative term will be used in the calculation.

Lease liabilities are subsequently measured by:
- increasing the carrying amount to reflect interest on the lease liabilities;
- reducing the carrying amount to reflect the lease payments made; and
- remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liabilities and any variable lease payments not included in the measurement of the lease liabilities are recognised in the Consolidated Statement of Comprehensive Income in the period in which they relate. Interest on lease liabilities included in finance costs in the Consolidated Statement of Comprehensive Income totalled $923,000 for the half year (Jun 20: $1,033,000).

There have been no changes to the lease term or incremental borrowing rate used for the measurement of lease liabilities in light of the COVID-19 pandemic.

Right-of-use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability. The cost of the asset includes:
- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Additions to the right-of-use assets during the half year were $13,063,000 (Dec 20: nil).

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The Consolidated Entity determines the lease term as the non-cancellable period of a lease together with both:
- the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. Management has considered this assessment and no significant events or changes in circumstances are deemed necessary.

The Consolidated Entity tests right-of-use assets for impairment where there is an indicator that the asset may be impaired. An asset’s carrying amount is written down immediately to its recoverable amount if the asset’s carrying amount is greater than its estimated recoverable amount.

The Consolidated Entity has assessed the right-of-use assets for impairment indicators in light of the COVID-19 pandemic and has calculated the recoverable amount where indicators exist. This has resulted in net impairment expense of $2,485,000 for the half year (Jun 20: nil).

The Consolidated Entity’s right-of-use assets are all property leases.

(v) Deferred tax
Deferred income tax liabilities are recognised for all taxable temporary differences.

Deferred income tax assets are recognised for all deductible temporary differences, carried forward unused tax assets and unused tax losses, to the extent it is probable that taxable profit will be available to utilise them. The carrying amount of deferred income tax assets is reviewed and reduced to the extent that it is no longer probable that sufficient taxable profit will be available.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided on temporary differences at the reporting date between accounting carrying amounts and the tax cost bases of assets and liabilities, other than for the following:

- Where taxable temporary differences relate to investments in subsidiaries, associates and interests in joint ventures:
  - Deferred tax liabilities are not recognised if the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.
  - Deferred tax assets are not recognised if it is not probable that the temporary differences will reverse in the foreseeable future and taxable profit will not be available to utilise the temporary differences.

The Consolidated Entity has assessed the recoverability of the deferred tax in light of the COVID-19 pandemic and do not believe there are any changes required to the balances recognised.

(vi) Security based payments
The fair value of the performance rights is recognised as an employee benefit expense with a corresponding increase in the employee benefits provision and in the employee security scheme reserve in equity. Fair value is measured at each reporting period, recognised over the period from the service commencement date to the vesting date of the performance rights. Non-market vesting conditions are included in the calculation of the number of rights that are expected to be vested. At each reporting date, GPT revises its estimate of the number of performance rights that are expected to be exercisable and the employee benefit expense recognised each reporting period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to employee expense and employee benefits provision.

Management has assessed the number of rights that are expected to vest for the 2019 LTI plan in relation to non-market vesting conditions (Total Return) as a result of the impacts of the COVID-19 pandemic and determined that no rights are expected to vest. In the period to 30 June 2020 management reassessed the number of rights expected to vest under the 2018 and 2019 plans, resulting in the reversal of prior period amortisation.

Fair value of the performance rights issued under LTI is determined using the Monte Carlo simulation and the Black Scholes methodologies. Fair value of the performance rights issued under DSTI is determined using the security price.

(vii) Provisions
Provisions are recognised when:

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

At 30 June 2021 the balance of provisions reflect management's best estimate of the expenditure required to settle the obligations.

(d) New and amended accounting standards and interpretations adopted from 1 January 2021
There are no significant changes to the Consolidated Entity's financial performance and position as a result of the adoption of the new and amended accounting standards and interpretations effective for annual reporting periods beginning on or after 1 January 2021.

(e) New accounting standards and interpretations issued but not yet adopted
There are no new standards or amendments to standards relevant to the Consolidated Entity.

17. EVENTS SUBSEQUENT TO REPORTING DATE

The COVID-19 pandemic has created unprecedented economic and societal impacts and there remains significant uncertainty. In the event the COVID-19 impacts are more severe or prolonged than anticipated, this may have further adverse impacts to asset values and the operating result of the Consolidated Entity. At the reporting date a definitive assessment of the future effects of COVID-19 on the Consolidated Entity cannot be made, as the impact will depend on the magnitude and duration of the government restrictions, with the full range of possible effects unknown.

After the reporting period, lockdown measures were introduced in NSW and were intermittently in place in Victoria and Queensland in response to COVID-19 outbreaks. Lockdown measures remain in place in NSW and Victoria as at the date the accounts were signed.

After the balance date, the Code of Conduct was reinstated in Victoria and New South Wales to provide rent relief to qualifying small and medium tenants. GPT continues to work with tenants to provide relief as required to assist with any short-term cash flow impacts.

On 26 July 2021, GPT withdrew its FFO and distribution guidance for the 12 month period to 31 December 2021 given the uncertainty in relation to the duration and impacts of the measures being implemented to suppress the spread of COVID-19 in both Sydney and Melbourne.

On 16 July 2021, 23,448sqm of land adjacent to the Rouse Hill Town Centre, held by the Group as inventory, was acquired by the NSW Government through a compulsory acquisition process. The final sale price to be received by the Group is yet to be determined.

Post the balance date, the Group entered into exclusive due diligence to acquire a portfolio from Ascot Capital for approximately $800 million, comprising 26 logistics and industrial assets, together with 4 office assets. There is no certainty that a transaction with Ascot Capital will be completed.

Other than the above, the Directors are not aware of any matter or circumstances occurring since 30 June 2021 that has significantly or may significantly affect the operations of the Consolidated Entity, the results of those operations or the state of affairs of the Consolidated Entity in the subsequent financial years.

DIRECTORS' DECLARATION

Half year ended 30 June 2021

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

(a) the consolidated financial statements and notes set out on pages 13 to 30 are in accordance with the *Corporations Act 2001*, including:
- complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting,* the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the half year ended on that date; and

(b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

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

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

Vickki McFadden
Chairman

Bob Johnston
Chief Executive Officer and Managing Director

GPT Management Holdings Limited

Sydney
16 August 2021

Independent auditor's review report to the members of GPT Management Holdings Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of GPT Management Holdings Limited (the Company) and the entities it controlled during the half-year (together the Consolidated Entity), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes 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 the Consolidated Entity does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2021 and of its performance for the half-year ended on that date

2. 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* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Consolidated Entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company 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.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. 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 Consolidated Entity's financial position as at 30 June 2021 and of 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*.

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.

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S. Horl

Susan Horlin | Sydney

Partner | 16 August 2021