

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

The Appendix 4D should be read in conjunction with the half yearly financial report of GDI Property Group for the half year ended 31 December 2014.

1. GDI Property Group

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

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

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

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

2. Reporting period

The financial information contained in this report is for the six month period from 1 July 2014 to 31 December 2014. As this is the first set of half yearly financial reports, there is no comparative information in the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows.

3. Highlights of the results

GDI Property Group	31 December 2014
	\$'000
Revenue from ordinary activities	40,627
Comprehensive net profit attributable to security holders after tax	36,082
Funds from operations (FFO ¹)	23,971
Distribution to security holders	21,284
	Cents
FFO per security	4.21
Distributions per security for the period ended 31 December 2014	3.75
Payout ratio	
Distributions as a % of FFO	89%
Distributions as a % of AFFO ²	100%
Basic earnings per security ³	6.36
Diluted earnings per security ³	6.34

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

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

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

GDI Property Group	31 December 2014	30 June 2014
	\$'000	\$'000
Total assets	901,024	740,037
Total borrowings	307,974	169,333
Security holders equity	559,552	544,162
Market capitalisation	502,304	516,493
	\$ per Security	\$ per Security
Net tangible assets per security	0.96	0.93
Security price	0.885	0.91
Securities on issue	567,575,025	567,575,025

4. Commentary on the results

Refer to the Directors' Report of the 31 December 2014 half yearly financial report for a commentary on the results of the Group.

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

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

	Amount per security	Total distribution	Franked amount per security
	cents	\$'000	cents
2014 final – paid 29 August 2014	3.50	19,865	-
2015 interim – declared 11 December 2014	3.75	21,284	-

No distribution reinvestment plan was operated by GDI Property Group.

6. Changes in control over group entities

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

7. Compliance statement

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

The financial report for the half year ended 31 December 2014 has been reviewed by the auditors for GDI Property Group.

A copy of the GDI Property Group half yearly financial report for the six months ended 31 December 2014, with the auditors review opinion, has been lodged with the ASX.

GDI Property Group

GDI Property Group Limited
ACN 166 479 189

Half Yearly Financial Report
31 December 2014

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

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GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2014

The Directors of GDI Property Group Limited ACN 166 479 189 ("the Company") and GDI Funds Management Limited ACN 107 354 003, AFSL 253 142 as Responsible Entity for GDI Property Trust ARSN 166 598 161 ("the Trust") present their report together with the half yearly financial report of the Company and its controlled entities and the Trust and its controlled entities for the six month period ended 31 December 2014. Shares in the Company are stapled to units in the Trust to form GDI Property Group.

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

1. Directors

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

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

2. Review of results and operations

2.1 Financial performance

The Board monitors a range of financial information and operating performance indicators to measure performance over time. We use several measures to monitor the success of our overall strategy, most importantly FFO performance versus the Prospectus and Product Disclosure Statement dated 25 November 2013 ("Offer Document") and subsequent budgets, and movements in NTA. FFO is a Property Council of Australia definition which adjusts statutory AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. GDI Property Group also adjusts funds management performance fees charged that remain unpaid from its calculation of FFO.

The reconciliation between GDI Property Group's FFO and its statutory profit is as follows:

	Group 31 December 2014 \$'000
Total comprehensive income for the period	36,082
Initial public offer expenses	729
Cash received from guarantees	3,495
Straight line rental income	(1,300)
Amortisation of debt and incentives	824
Net fair value gain on investment properties	(25,474)
Net fair value loss on interest rate swaps	2,588
Acquisition expenses	7,624
Other FFO adjustments	(597)
Funds From Operations	23,971

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2014

The principle contributors to FFO are as follows:

	Group 31 December 2014
FFO items	\$'000
Property ¹	25,375
Funds management ¹	1,016
Operating expenses	(2,473)
Net interest expense	7,261
IPO costs ²	729

1. Property FFO and Funds management FFO only refers to the revenue related items included / excluded from FFO. See Segment reporting, Note 10 of the Half Yearly Financial Report for a detailed breakdown of all items included in the Property and Funds management segment results.
2. Certain expenses relating to the Initial Public Offer of securities are expensed over a number of years and have not been included in the calculation of FFO.

A discussion on each of the principal contributors to FFO is provided below:

Property

Property was the primary contributor to FFO, with a segment result of \$25.4 million. During the period GDI Property Group settled the acquisition of 66 Goulburn Street, Sydney for \$136 million and entered in to a conditional put and call option deed to sell 233 Castlereagh Street, Sydney for \$156 million, a significant increase on its previous independent valuation of \$129 million.

Funds Management

During the period, funds management revenue was principally derived from ongoing management fees, with few transactional fees contributing to FFO. No new funds were established during the period.

Operating costs

GDI Property Group's operating costs predominantly relate to remuneration, including an accrual of \$500,000 for staff bonuses for FY15.

Net interest expense

During the period GDI Property Group debt financed the acquisition of 66 Goulburn St, resulting in a significant increase in the net interest expense compared to the period ended 30 June 2014. The average interest rate for the period was 4.71%, compared to 4.89% for the period ended 30 June 2014.

IPO costs

IPO costs, including amounts expensed for the IPO related performance rights, have been reversed for the purpose of calculating FFO. The costs of the IPO performance rights will be expensed and reversed for FFO purposes over the three year vesting period.

GDI PROPERTY GROUP

DIRECTORS' REPORT

For the six month period ended 31 December 2014

2.2 Operational performance

	31 December 2014	30 June 2014
Occupancy (%) ¹	89%	84%
Weighted average lease expiry by area (years) ¹	4.2 years	3.3 years
Weighted average capitalisation rate (%) ²	8.00%	8.10%

1. Based on NLA, including guarantees, signed Heads of Agreement and where a lease has been surrendered, assumed occupancy until the benefit of the surrender ceases.
2. Weighted average by property valuation, excluding 233 Castlereagh St, Sydney.

3. Future prospects

GDI Property Group reaffirms the Offer Document forecasts for the FY15 financial year of FFO of 8.2 cents per stapled security and a distribution of 7.5 cents per stapled security. GDI Property Group remains committed to its strategy of generating high risk adjusted returns by:

- growing net rental income and enhancing the capital value of the property portfolio through active asset management, including leasing and selective capital improvements;
- maximising the returns to investors in the Funds Business;
- undertaking accretive acquisitions, funded by capital recycling; and
- growing the Funds Business by establishing new unlisted funds.

4. Events subsequent to balance date

No matter or circumstance has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- GDI Property Group's operations in future years;
- The results of these operations in future years; or
- GDI Property Group's state of affairs in future years.

5. Rounding of Amounts

GDI Property Group is of a kind referred to in ASIC Class Order 98/100. Accordingly, amounts in the financial report and the directors' report have been rounded to the nearest thousand in accordance with that Class Order, unless stated otherwise.

6. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on the following page.

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



Graham Kelly
Chairman



Steve Gillard
Managing Director

Sydney
Dated this 23rd day of February 2015

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2014 there have been no contraventions of:

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

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

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000



Drew Townsend
Partner
Dated: 23 February 2015

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GDI PROPERTY GROUP
FINANCIAL REPORT

For the six month period ended 31 December 2014

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Note	Group Half year ended 31 December 2014 \$'000	Trust Half year ended 31 December 2014 \$'000
Revenue from ordinary activities			
Property income	2	39,513	39,513
Funds management income		958	-
Interest revenue		155	121
Other income		-	-
Total revenue from ordinary activities		40,627	39,635
Net fair value gain of investment property		25,474	25,474
Total income		66,100	65,108
Expenses			
Property expenses		9,671	9,671
Finance costs	3	7,261	7,259
Net fair value loss on interest rate swaps		2,588	2,588
Corporate and administration expenses		2,742	269
Acquisition expenses		7,624	7,624
Initial public offer costs	4	729	206
Total expenses		30,615	27,616
Profit before tax		35,485	37,492
Income tax benefit		597	-
Net profit for the period		36,082	37,492
Other comprehensive income		-	-
Total comprehensive income for the period		36,082	37,492
Profit and total comprehensive income attributable to:			
Company shareholders		(1,410)	
Trust unitholders (non-controlling interest)		37,492	37,492
Profit and total comprehensive income		36,082	37,492
		Cents	Cents
Basic earnings per stapled security/trust unit		6.36	6.61
Diluted earnings per stapled security/trust unit		6.34	6.59

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

As at 31 December 2014

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	Group		Trust	
		As at 31 December 2014 \$'000	As at 30 June 2014 \$'000	As at 31 December 2014 \$'000	As at 30 June 2014 \$'000
Current assets					
Cash and cash equivalents		19,435	14,718	17,469	13,914
Trade and other receivables		3,635	4,827	2,867	854
Non-current assets held for sale	5	156,220	-	156,220	-
Other assets		2,038	7,381	1,916	7,369
Total current assets		181,328	26,926	178,473	22,137
Non-current assets					
Investment properties	6	700,359	694,351	700,359	694,351
Plant and equipment		112	110	-	-
Deferred tax assets		1,114	518	-	-
Intangible assets		18,110	18,110	-	-
Total non-current assets		719,696	713,089	700,359	694,351
Total assets		901,024	740,015	878,832	716,488
Current liabilities					
Trade and other payables		28,411	24,056	27,602	23,286
Provisions		178	124	-	-
Total current liabilities		28,589	24,180	27,602	23,286
Non-current liabilities					
Borrowings	7	307,974	169,333	307,974	169,333
Derivative financial instruments		4,816	2,228	4,816	2,228
Provisions		47	102	-	-
Other liabilities		46	11	27	-
Total non-current liabilities		312,883	171,673	312,817	171,561
Total liabilities		341,472	195,853	340,418	194,847
Net assets		559,552	544,162	538,414	521,641
Equity					
Contributed equity	8	23,451	23,451	527,657	527,658
Reserves		26	-	566	-
Retained profits		(2,339)	(929)	10,191	(6,017)
Equity attributable to holders of the Company/Trust		21,138	22,522	538,414	521,641
Non-controlling interest					
Contributed equity	8	527,657	527,657		
Reserves		566	-		
Retained earnings		10,191	(6,017)		
Total equity		559,552	544,162	538,414	521,641

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2014

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Group	Note	Equity attributable to shareholders/ unitholders/stapled securityholders			Total	Non- controlling interest	Total equity
		Contributed equity	Reserves	Retained earnings			
Balance as at 1 July 2014		23,451	-	(929)	22,522	521,640	544,162
Comprehensive income							
Profit for the period		-	-	(1,410)	(1,410)	37,492	36,082
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the period		-	-	(1,410)	(1,410)	37,492	36,082
Transactions with securityholders in their capacity as securityholders							
Security-based payments expense		-	26	-	26	566	591
Distributions paid/payable	9	-	-	-	-	(21,284)	(21,284)
Total transactions with securityholders in their capacity as securityholders		-	26	-	26	(20,719)	(20,693)
Balance as at 31 December 2014		23,451	26	(2,339)	21,138	538,414	559,552
Trust							
	Note	Equity attributable to unitholders of the Trust			Total		
		Contributed equity \$'000	Reserves \$'000	Retained earnings \$'000			
Balance as at 1 July 2014		527,657	-	(6,017)	521,640		
Comprehensive income							
Profit for the period		-	-	37,492	37,492		
Other comprehensive income		-	-	-	-		
Total comprehensive income for the period		-	-	37,492	37,492		
Transactions with securityholders in their capacity as securityholders							
Security based payments expense		-	566	-	566		
Distributions paid/payable	9	-	-	(21,284)	(21,284)		
Total transactions with securityholders in their capacity as securityholders		-	566	(21,284)	(20,719)		
Balance as at 31 December 2014		527,657	566	10,191	538,414		

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

FINANCIAL REPORT

For the six month period ended 31 December 2014

CONSOLIDATED STATEMENT OF CASH FLOWS

	Group Half year ended 31 December 2014 \$'000	Trust Half year ended 31 December 2014 \$'000
Cash flows from operating activities		
Receipts in the course of operations	47,075	43,188
Payments in the course of operations	(14,364)	(12,127)
Interest received	155	121
Interest paid	(5,957)	(5,955)
Net cash flows from operating activities	26,910	25,227
Cash flows from investing activities		
Payments for investment properties	(136,796)	(136,796)
Payments for plant and equipment	(14)	-
Payments for capital expenditure	(1,129)	(1,129)
Payment of initial public offer costs	(500)	-
Loan to related entities	(6)	-
Payments of lease costs and incentives	(2,272)	(2,272)
Net cash outflows from investing activities	(140,717)	(140,197)
Cash flows from financing activities		
Proceeds from borrowings	139,000	139,000
Payment of loan transaction costs	(610)	(610)
Payment of distributions to securityholders/unitholders	(19,865)	(19,865)
Net cash flows from financing activities	118,525	118,525
Net increase in cash and cash equivalents	4,717	3,555
Cash and cash equivalents at the beginning of the period	14,718	13,914
Cash and cash equivalents at the end of the period	19,435	17,470

The accompanying notes form part of these financial statements.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

The half yearly financial statements are authorised for issue on 23 February 2015 by the directors of the Company and the Responsible Entity of the Trust.

(a) Basis of preparation

These general purpose interim financial statements for the half year ended 31 December 2014 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of GDI Property Group and its controlled entities and GDI Property Trust and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within GDI Property Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of GDI Property Group for the financial year ended 30 June 2014, together with any ASX announcements made during the following half year.

(b) Consolidated financial statements

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

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

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

(c) Accounting policies

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

(d) Comparatives

As this is the first half yearly financial report of the Group there are no comparative figures provided for the Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows.

NOTE 2 – PROPERTY REVENUE

	Group Half year ended 31 December 2014	Trust Half year ended 31 December 2014
Property revenue	\$'000	\$'000
Rent and recoverable outgoings	40,074	40,074
Lease costs and incentive amortisation	(560)	(560)
Total property revenue	39,513	39,513

NOTE 3 – FINANCE COSTS

	Group Half year ended 31 December 2014	Trust Half year ended 31 December 2014
Finance costs	\$'000	\$'000
Interest paid / payable	7,010	7,008
Amortisation of borrowing costs	251	251
Total finance costs	7,261	7,259

NOTE 4 – INITIAL PUBLIC OFFER COSTS

Initial public offer costs includes an expense for 1.5 million performance rights issued to employees as part of the Initial Public Offer as disclosed in the Prospectus and Product Disclosure Statement dated 25 November 2013.

NOTE 5 – NON-CURRENT ASSETS HELD FOR SALE

On 6th November 2014, GDI Property Group entered in to a conditional put and call option to sell 233 Castlereagh St, Sydney for \$156 million. Should either of the options be exercised, settlement of the sale will occur on or around 30 September 2015. Accordingly, the asset has been reclassified as a non-current asset held for sale.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

NOTE 6 – INVESTMENT PROPERTIES

	Group		Trust	
	As at 31 December 2014	As at 30 June 2014	As at 31 December 2014	As at 30 June 2014
a) Investment properties at fair value	\$'000	\$'000	\$'000	\$'000
<i>Movement in investment properties</i>				
Balance at the beginning of the period	694,351	-	694,351	-
Acquisitions through business combinations				
- Investment properties	-	559,766	-	559,766
- Rental guarantee and incentives	-	3,700	-	3,700
Additions				
- Investment properties	130,000	113,800	130,000	113,800
- Rental guarantee and incentives	6,000	7,015	6,000	7,015
Assets transferred to non-current assets held for sale	(156,220)	-	(156,220)	-
Amortisation of rental guarantee and incentive	(3,495)	(2,156)	(3,495)	(2,156)
Capital works				
- Property improvements	881	1,415	881	1,415
- Maintenance capital	248	169	248	169
Straight-lining of rental income	1,314	1,559	1,314	1,559
Incentives and lease costs	2,367	401	2,367	401
Amortisation of lease costs and incentives	(560)	(16)	(560)	(16)
Net gain from fair value adjustments	25,474	8,699	25,474	8,699
Balance at the end of the period	700,359	694,351	700,359	694,351

b) Rental guarantee and incentive

The Group has obtained guarantees and the payout of tenant incentives in relation to 307 Queen St, Brisbane, 233 Castlereagh St, Sydney and 66 Goulburn St, Sydney. In relation to 307 Queen St, Brisbane and 233 Castlereagh St, Sydney, the guarantees cover certain vacancies for a period of two years from settlement (16 December 2013) and are paid regardless of whether the identified vacancies are leased. The payout of tenant incentives is on terms consistent with the terms of the underlying leases at the time of settlement (in the case of 307 Queen St, Brisbane) and business combination (in the case of 233 Castlereagh St, Sydney). In relation to 66 Goulburn St, Sydney, GDI Property Group can draw on this rental guarantee to satisfy outgoings, market rent, incentives, leasing costs or any other costs relating to the property that it elects for a period of up to 60 months (5 years) from settlement. In the absence of any leasing of the vacant space, GDI Property Group intends to draw on this rental guarantee to cover market rents on that vacant space for a period of approximately 22.5 months, by which time the rental guarantee would be fully drawn.

The outstanding amounts of these guarantees and payout of incentives is taken in to consideration by independent valuers when assessing the capital value of the asset. Changes in fair values are recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. Detailed in the table below is the carrying value of the rental guarantee and incentive.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

Carrying value of rental guarantee and incentive

Property	Opening balance \$'000	Additions \$'000	Amortised during period \$'000	Fair value adjustment \$'000	Transferred to non-current asset held for sale \$'000	Closing balance \$'000
307 Queen Street, Brisbane	5,698	-	(1,248)	-	-	4,450
233 Castlereagh Street, Sydney	1,000	-	(780)	-	(220)	-
66 Goulburn Street, Sydney	-	6,000	(1,467)	(1,000)	-	3,533
Total	6,698	6,000	(3,495)	(1,000)	(220)	7,983

Valuation basis

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

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

Valuation basis	31 December 2014	30 June 2014
Occupancy (%)	89%	84%
Weighted average lease expiry by area (years)	4.2 years	3.3 years
Weighted average capitalisation rate (%)	8.00%	8.10%

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

c) Assets pledged as security

Borrowings (refer Note 7) are secured by fixed and floating charges over each investment property plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

d) Details of investment properties

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

	Title	Acquisition date	Acquisition price \$'000	Independent valuation date	Independent valuation \$'000	Carrying amount \$'000	Fair value adjustment \$'000
Investment properties							
Mill Green Complex, Perth ¹	Freehold	16 December 2013	332,656	31 December 2014	334,000	333,745	(2,246)
25 Grenfell St, Adelaide ¹	Freehold	16 December 2013	109,632	31 December 2014	109,000	109,000	(2,019)
307 Queen St, Brisbane	Freehold	16 December 2013	120,815	30 June 2014	121,000	120,811	-
66 Goulburn St, Sydney	Leasehold	15 July 2014	136,000	26 May 2014	138,000	136,803	2,000
Total Investment properties			699,103		702,000	700,359	(2,264)
Non-current assets held for sale							
233 Castlereagh St, Sydney ^{1,2}	Freehold	16 December 2013	121,177	30 June 2014	129,000	156,220	27,738
Total Investment properties and non-current assets held for sale			820,280		831,000	856,579	25,474

1. The acquisition date and acquisition price are based on the completion date of the restructure and IPO of stapled securities to create GDI Property Group and the independent valuations ascribed to the assets as part of the restructure. The acquisition prices includes capital expenditure incurred between the valuation date for the restructure and the IPO (1st October 2013) and the acquisition date (16th December 2013).
2. On 6th November 2014 GDI Property Group entered in to a conditional put and call option to sell 233 Castlereagh St, Sydney for \$156 million. Should either of the options be exercised, settlement of the sale will occur on or around 30 September 2015. Accordingly, the asset has been reclassified as a non-current asset held for sale. The Directors also determined that the asset should be revalued to its conditional sale price, with the revaluation included in this period's Consolidated Statement of Profit or Loss and Other Comprehensive Income.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

NOTE 7 – BORROWINGS

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

	Group		Trust	
	As at 31 December 2014	As at 30 June 2014	As at 31 December 2014	As at 30 June 2014
Non-current borrowings	\$'000	\$'000	\$'000	\$'000
<i>Secured liabilities:</i>				
Loans - financial institutions	309,000	170,000	309,000	170,000
Transaction costs	(1,026)	(667)	(1,026)	(667)
Total borrowings	307,974	169,333	307,974	169,333

Borrowing details

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

Facility	Secured	Maturity date	Facility limit \$'000	Utilised \$'000	Unutilised \$'000
Facility Tranche 1 ¹	Yes	16 December 2018	85,000	85,000	-
Facility Tranche 2 ¹	Yes	16 December 2016	228,000	224,000	4,000
Facility Tranche 3 ¹	Yes	16 December 2016	30,000	-	30,000
			343,000	309,000	34,000
Facility Tranche 4 ²	Yes	16 December 2016	5,000		
Total facility			348,000	309,000	34,000

1. The loan facility is secured by first registered mortgage over the investment properties, held by the Group and a registered fixed and floating charge over the assets of the Group. Interest is payable quarterly in arrears at variable rates based on the 30 and 90 day BBSY. Line fees are payable quarterly in advance.
2. The Group also has a \$5 million bank guarantee supporting the financial requirements of GDI Funds Management Limited's AFS Licence. This is undrawn and cannot be used for general working capital purposes.

NOTE 8 – CONTRIBUTED EQUITY

a) Movements in ordinary securities/units

No stapled securities were issued during the period.

b) Stapled securities

The ordinary shares of the Company are stapled to the units of the Trust. Each stapled security entitles the holder to participate in dividends and distributions as declared from time to time and the proceeds on winding up. Each stapled security entitles the holder to vote in accordance with the provisions of the Constitution, Trust Deed and the Corporations Act 2001.

NOTE 9 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

a) Dividends paid/payable by the Company

There were no dividends paid or payable by the Company in respect of the period ended 31 December 2014.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

b) Distributions paid/payable by the Group/Trust

	Group Half year ended 31 December 2014 cents/security	Trust Half year ended 31 December 2014 cents/unit
Distributions paid / payable by the Group / Trust		
29 August 2014	3.5	3.5
27 February 2015	3.75	3.75

NOTE 10 – SEGMENT REPORTING

a) Identification of reportable segments

Group

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

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

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

Trust

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

b) Segment information

(i) Segment performance

Half year ended 31 December 2014	Property \$'000	Funds management \$'000	Reviewed but unallocated \$'000	Total \$'000
<i>Profit after tax from ordinary activities</i>				
Property income	39,513	-	-	39,513
Funds management income	-	958	-	958
Interest income	121	34	-	155
Net fair value gain of investment property	25,474	-	-	25,474
Net fair value loss on interest rate swaps	(2,588)	-	-	(2,588)
Total operating segment revenue	62,520	992	-	63,512
Property expenses	9,671	-	-	9,671
Finance costs	7,259	2	-	7,261
Acquisition expenses	7,624	-	-	7,624
Corporate and administration expenses	269	-	2,473	2,742
Initial public offer costs	206	523	-	729
Total operating segment expenses	25,028	525	2,473	28,027
Straight-line rental income	(1,314)	14	-	(1,300)
Initial public offer costs	206	523	-	729
Acquisition expenses	7,624	-	-	7,624
Amortisation and depreciation	811	12	-	824
Movement in rental guarantees	3,495	-	-	3,495
Net fair value gain of investment property	(25,474)	-	-	(25,474)
Net fair value loss on interest rate swaps	2,588	-	-	2,588
Funds From Operations	25,428	1,016	(2,473)	23,971
Straight-line rental income	1,314	(14)	-	1,300
Amortisation and depreciation	(811)	(12)	-	(824)
Other FFO adjustments	(7,624)	-	-	(7,624)
Rental guarantee income	(3,495)	-	-	(3,495)
Net fair value gain of investment property	25,474	-	-	25,474
Net fair value loss on interest rate swaps	(2,588)	-	-	(2,588)
Income tax benefit	-	597	-	597
Initial public offer costs	(206)	(523)	-	(729)
Profit after tax from ordinary activities	37,492	1,064	(2,473)	36,082

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

(ii) Segment assets and liabilities

	Property \$'000	Funds management \$'000	Reviewed but unallocated \$'000	Total \$'000
As at 31 December 2014				
Total assets	878,832	18,110	4,081	901,024
Total liabilities	340,418	-	1,054	341,472
Net assets as at 31 December 2014	538,414	18,110	3,027	559,552

As at 30 June 2014				
Total assets	716,487	18,110	5,417	740,015
Total liabilities	194,847	-	1,006	195,853
Net assets as at 30 June 2014	521,640	18,110	4,411	544,162

NOTE 11 – FAIR VALUE MEASUREMENTS

a) Valuation techniques

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

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

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

b) Financial instruments

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

	31 December 2014		30 June 2014	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
Financial assets				
Cash and cash equivalents	19,435	19,435	14,718	14,718
Trade and other receivables	3,635	3,635	4,827	4,827
Total financial assets	23,070	23,070	20,104	20,104
Financial liabilities				
Trade and other payables	28,411	28,411	24,056	24,056
Provisions	225	225	226	226
Borrowings	307,974	307,974	169,333	169,333
Derivative financial instruments	4,816	4,816	2,228	2,228
Total financial liabilities	341,426	341,426	195,843	195,843

c) Fair value hierarchy

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

- Derivative financial instruments; and
- Investment properties.

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

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

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

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

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

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

	As at 31 December 2014			As at 30 June 2014		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Recurring fair value measurements						
<i>Non-financial assets</i>						
- Investment properties	-	700,359	-	-	694,351	-
Total non-financial assets recognised at fair value on a recurring basis	-	700,359	-	-	694,351	-
<i>Financial liabilities</i>						
- Interest rate swaps	-	4,816	-	-	2,228	-
Total financial liabilities recognised at fair value on a recurring basis	-	4,816	-	-	2,228	-

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

	31 December 2014	30 June 2014	Valuation technique	Inputs Used
	\$'000	\$'000		
Financial assets/liabilities				
Interest rate swaps	(4,816)	(2,228)	Income approach using discounted cash flow methodology	BBSY swap rate
Non-financial assets				
Investment properties ¹	700,359	694,351	Market approach using discounted cash flow, rent capitalisation and recent observable market data methodologies	Comparable discount rates, capitalisation rates and price per square metres of NLA

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

e) Sensitivity information

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

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

NOTE 12 – CONTINGENT LIABILITIES

The Group and the Trust had no contingent liabilities as at 31 December 2014 and 30 June 2014.

GDI PROPERTY GROUP

NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2014

NOTE 13 – EVENTS AFTER THE REPORTING DATE

No matter or circumstance has arisen since 31 December 2014 that has significantly affected or may significantly affect:

- GDI Property Group's operations in future years;
- The results of these operations in future years; or
- GDI Property Group's state of affairs in future years.

DIRECTORS' DECLARATION

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

Directors' Declaration

For the six month period ended 31 December 2014

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

- (a) the financial statements and notes that are set out on pages 5 to 20 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
 - (ii) giving a true and fair view of the financial position as at 31 December 2014 and of the performance for the half year ended on that date;
- (b) there are reasonable grounds to believe that GDI Property Group will be able to pay its debts as and when they become due and payable.

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



Graham Kelly
Chairman

Dated this 23rd day of February 2015

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

Report on the Half-year Financial Report

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

We have reviewed the accompanying half-year financial report of the Group and the Trust, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of an Interim and other Financial Reports Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Group's and the Trust's financial position as at 31 December 2014 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of the Group and the Trust, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

SYDNEY

Level 40
2 Park Street
Sydney NSW 2000
Australia

GPO Box 3555
Sydney NSW 2001

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

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

Conclusion

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

- a. giving a true and fair view of the Group's and the Trust's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Hall Chadwick

HALL CHADWICK
Level 40, 2 Park Street
SYDNEY NSW 2000



Drew Townsend
Partner

Dated: 23 February 2015