

**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 2018.

**1. GDI Property Group**

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

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

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

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

**2. Reporting period**

The financial information contained in this report is for the six month period from 1 July 2018 to 31 December 2018.

**3. Highlights of the results**

	December 2018	December 2017
	\$'000	\$'000
Revenue from ordinary activities	39,934	39,206
Comprehensive net profit attributable to securityholders after tax	37,387	17,990
Funds from operations (FFO <sup>1</sup> )	23,483	20,742
Distribution to security holders	20,909	20,796
	Cents	Cents
Funds from operations per security	4.359	3.865
Distributions per security	3.875	3.875
Payout ratio		
- Distributions as a % of FFO	89%	100%
- Distributions as a % of AFFO <sup>2</sup>	102%	118%
Basic earnings per security <sup>3</sup>	6.94	3.35
Diluted earnings per security <sup>3</sup>	6.91	3.32

1 FFO is a Property Council of Australia definition which adjusts AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items. A reconciliation of total comprehensive income for the period to FFO is provided at section 2.1 of the Directors' Report.

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

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

	December 2018 \$'000	June 2018 \$'000
Total assets	829,020	811,398
Total borrowings	92,234	91,081
Security holders equity	672,146	654,418
Market capitalisation	728,433	692,298
	December 2018	June 2018
Net tangible assets per security	1.21	1.18
Security price	1.35	1.29
Securities on issue	539,579,646	536,665,396
Weighted average securities on issue	538,768,079	536,829,921

#### 4. Commentary on the results

Refer to the Directors' Report of the 31 December 2018 half yearly financial report for a commentary on the results of the GDI.

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

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

	Amount per security	Total distribution	Franked amount per security
	cents	\$'000	cents
2018 final – paid 31 August 2018	3.875	20,796	-
2018 interim – declared 14 December 2018	3.875	20,909	-

No distribution reinvestment plan was operated by GDI.

#### 6. Changes in control over group entities

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

#### 7. Compliance statement

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

The financial report for the six month period ended 31 December 2018 has been reviewed by the auditors for GDI.

A copy of the GDI half yearly financial report for the six months ended 31 December 2018, with the auditors review opinion, has been lodged with the ASX.

# GDI Property Group

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GDI Property Group Limited  
ACN 166 479 189

Half Yearly Financial Report  
31 December 2018

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 2018

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 2018. Shares in the Company are stapled to units in the Trust to form GDI Property Group ("GDI" or the "Group").

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

#### 1. Directors

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

Director		Appointment date	Retirement date
Graham Kelly	Independent Non-Executive	5 November 2013	15 November 2018
Gina Anderson	Independent Non-Executive	5 November 2013	-
John Tuxworth	Independent Non-Executive	20 February 2017	-
Giles Woodgate	Independent Non-Executive	16 November 2017	-
Stephen Burns	Independent Non-Executive	15 November 2018	-
Steve Gillard	Managing Director	5 November 2013	-

Ms Gina Anderson was appointed Chairman of the Board on 15 November 2018 following the retirement of the previous Chairman, Mr Graham Kelly.

#### 2. Review of results and operations

The Board monitors a range of financial information and operating performance indicators to measure performance over time. The Board uses several measures to monitor the success of GDI's overall strategy, most importantly Funds From Operations ("FFO") and Adjusted Funds From Operation ("AFFO") performance versus budgets and GDI's total return, calculated as the movement in NTA plus distributions. FFO is a Property Council of Australia definition which adjusts statutory AIFRS net profit for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives, straight-line adjustments and other unrealised one-off items.

##### 2.1 Financial performance

The reconciliation between GDI's FFO and its statutory profit for the period ended 31 December 2018 is as follows:

	Group	
	31 December 2018	31 December 2017
	\$'000	\$'000
Total comprehensive income for the year	39,489	19,837
Portfolio acquisition and other transaction costs	7	11,784
Contribution resulting from consolidation of GDI No. 42 Office Trust	(4,211)	(3,089)
Distributions/funds management fees received from GDI No. 42 Office Trust	1,435	1,493
Straight lining adjustments	(67)	(862)
Amortisation of incentives	1,915	2,783
Amortisation of lease costs	327	291
Amortisation of loan establishment costs and depreciation	156	272
Net fair value (gain) / loss on investment property	(15,192)	(6,331)
Net fair value (gain) / loss on interest rate swaps	(377)	(397)
Profit on sale of non-current asset	-	(5,040)
<b>Funds From Operation</b>	<b>23,483</b>	<b>20,742</b>

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six month period ended 31 December 2018

Maintenance capital on wholly owned properties	(1,538)	(732)
Incentives paid on wholly owned properties	(1,944)	(2,356)
Income tax expense	429	(97)
<b>Adjusted Funds From Operation</b>	<b>20,430</b>	<b>17,556</b>

	Cents	Cents
<b>Funds From Operation per stapled security</b>	<b>4.359</b>	<b>3.865</b>

GDI reported FFO of \$23.5 million, an increase of \$2.7 million over the previous corresponding period, although comparison between periods is somewhat misleading due to GDI's evolving portfolio. In the previous corresponding period 66 Goulburn Street, Sydney was sold (November 2017) and Westralia Square, 141 St Georges Terrace, Perth, purchased (October 2017) on an approximate 11.3% passing yield, with the current period benefitting from a full periods ownership of Westralia Square.

#### **Property**

GDI's portfolio, both in its Property ("Property Division") and Funds Management ("Funds Business") Businesses, is heavily weighted to Perth. The Perth CBD office market fundamentals are continuing to improve, with vacancy falling to 18.5% as at 31 January 2019, down from 19.8% at the same time last year following over 15,000sqm of positive net absorption during that period. With no new major developments expected to be delivered until 2023 at the earliest, with an already reduced number of +1,000sqm contiguous floors available for lease and with expected growing demand, GDI forecasts significant growth in effective rents over the next three years. GDI believes its portfolio is well positioned to capture this anticipated effective rental growth.

The largest asset in the Property Division is the three building Mill Green complex, comprising 197 St Georges Terrace, 5 Mill Street and 1 Mill Street, Perth. Following the departures of Clough (May 2017), Chevron (September 2017), A.E.M.O (September 2017) and AKER (February 2018), occupancy in the largest of the three buildings, 197 St Georges Terrace, had fallen from 100% to 77%. GDI has repeatedly stated that it would take a patient approach to releasing these vacant floors to achieve higher effective rents than would otherwise have been achieved if occupancy had been the primary objective. Pleasingly, the majority of the space vacated has now been leased or is subject to a heads of agreement, with only one upper level floor (Level 23) and one of six suites on the mid-levels (9 and 10) unoccupied. Chevron's previous training facility located on the ground and mezzanine level is now being offered to the market as conferencing facilities, although as there is no lease with the operator the space is shown as vacant. Overall, occupancy at 197 St George's Terrace rose to 90.13%, up from 76.98% as at 30 June 2018. Importantly, GDI has been able to achieve this increased occupancy at what it believes to be better than market effective rents.

Due to the departure of two tenants in November 2018 and December 2018, occupancy in 5 Mill Street fell slightly to 94.30% of NLA at 31 December 2018, down from 100% at 30 June 2018. Given the previous leasing successes at 5 Mill Street, Perth, it is not expected that these two suites will remain vacant for long.

As disclosed as at 30 June 2018, GDI is not looking at any immediate long term leasing of 1 Mill Street, Perth given both the time of the cycle and its redevelopment opportunities. There are a number of single users tenants that have/will have briefs in the market during 2019 that GDI and Lendlease Developments Pty Limited, in accordance with the Memorandum of Understanding between the parties, will pursue.

Mill Green was revalued at 31 December 2018, with the overall value increasing to \$330.0 million, up from \$321.1 million at 31 December 2017. The value of 197 St Georges Terrace increased to \$241.0 million, up from \$235.5 million, 5 Mill Street's valuation increased to \$58.5 million, an increase of \$2.9 million from the prior year, and 1 Mill Street's valuation increased by \$0.5 million to \$30.5 million.

The second largest asset in the Property Division is Westralia Square, 141 St Georges Terrace, Perth. The largest tenant, The WA Minister for Works, has four separate leases, three which are for a single floor each and the fourth for 11 floors, all of which expire in the first half of CY20, although the 11 floor lease has 2 x 5 year options. None of these four leases stipulate that any particular department of the WA Government will be in occupation. However, currently among others, the WA Department of Justice, WA Births Deaths and Marriages and WA Police occupy the building, with WA Police being

## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six month period ended 31 December 2018

the largest of these. GDI is in discussions with representatives of the WA Government and its advisors about its ongoing occupancy needs at Westralia Square and at this time is unable to provide any guidance on the likelihood of the WA Government either renewing all or some of its leases, exercising its option or entering in to any new lease. Similarly, United Group Limited (UGL) occupy the top two floors with a lease that expires in January 2020, and although there has been numerous discussions with UGL concerning its tenancy, there has been no progress made in relation to any lease renewal.

Considerable progress has been made with the bespoke development of the excess land between Westralia Square and Brookfield Place 2. Plans will be submitted imminently to the planning authority and there are not expected to be any major delays in the approval process. It is anticipated construction will commence in the second half of 2019 with a slightly increased construction costs estimate of \$20.0 million, excluding interest and incentives.

During the period the program to upgrade the lifts at Westralia Square commenced, the only vacant whole floor, Level 7, was fitted out to create a show floor for potential tenants, and the foyer was upgraded. In total, approximately \$6.6 million was spent on capital expenditure at Westralia Square in the period.

At GDI's only other wholly owned property, 50 Cavill Avenue, Surfers Paradise, occupancy, including signed heads of agreement, has increased to 98.34% from 97.59% at 30 June 2018, with only one suite remaining unoccupied. As a result of the increased occupancy, continued improvement in effective rents being achieved on both new leasing and renewals, and the completion of the capex program, the valuation of 50 Cavill Avenue, Surfers Paradise, has increased to \$100.0 million, an increase of \$11.9 million over its 31 December 2017 valuation.

As GDI owns 43.68% of the units on issue of GDI No. 42 Office Trust, it consolidates GDI No. 42 Office Trust for statutory accounting purposes. On 24 August 2018, GDI No. 42 Pty Limited atf GDI No. 42 Office Trust exchanged contracts to sell one of the two assets held by GDI No. 42 Office Trust, 223 – 237 Liverpool Road, Ashfield, for \$46.0 million, an \$11.0 million premium over its December 2015 purchase price of \$35.0 million. Settlement of the sale occurred on 31 January 2019.

The other asset held by GDI No. 42 Office Trust is located at 235 Stanley Street, Townsville (Stanley Place). Stanley Place's major tenant, the ATO, has advised it will not be renewing its lease at the premises when it expires in February 2020, instead relocating to a yet to be constructed property on the CBD fringe. The property's second largest tenant, The Department of Human Services (DHS), occupies two floors under a direct lease which expires in the first half of FY21 and a further two floors under sub-lease from the ATO. DHS has signed a heads of agreement for a new 6.5 year lease commencing 1 March 2020 for all of the 4,644sqm of space it currently occupies. GDI remains confident that there will be minimal downtime from any vacancy created by the likely departure of the ATO in February 2020. During the period, the dispute with KPMG SGA regarding acquisition due diligence was settled, with the terms of the settlement confidential. GDI is also pleased to report that the recent floods in Townsville had minimal impact on Stanley Place.

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

	Group	
	As at 31 December 2018	As at 30 June 2018
Occupancy <sup>1,2</sup>	86.9%	83.8%
Weighted average lease expiry <sup>1,2</sup>	2.4 years	2.7 years
Weighted average capitalisation rate <sup>1,3</sup>	7.1%	7.2%

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

2. Based on NLA

3. Weighted average by property valuation

#### Funds Management

The Funds Business delivered FFO before income tax expense of \$2.58 million for the six month period to 31 December 2018 (31 December 2017: \$2.41 million). A large contributor to this is GDI No. 42 Office Trust, which is consolidated for statutory accounting purposes, but for FFO purposes GDI recognises the funds management fees generated on the 56.32% of units it doesn't own and the quarterly distributions on the 43.68% it does own (\$1.25 million). Other revenue generated was largely ongoing management fees.

#### Operating costs

## **GDI PROPERTY GROUP**

### **DIRECTORS' REPORT**

For the six month period ended 31 December 2018

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Operating costs predominately relate to remuneration, including an accrual of \$500,000 for staff bonuses and the issue of performance rights in FY19.

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

As at 31 December 2018, GDI's Principal Facility was drawn to \$59.4 million, with undrawn debt of \$55.6 million. The consolidated GDI No. 42 Office Trust has drawn debt of \$33.0 million, with undrawn debt of \$2.4 million. The average interest rate on drawn debt of the Principal Facility for the period was 4.82%.

As at 31 December 2018, all drawn debt is subject to floating interest rates.

#### **Financial position**

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

GDI's balance sheet is in a very strong financial position. As at 31 December 2018:

- Net tangible asset (NTA) per security is \$1.21 (30 June 2018: \$1.18);
- Total Principal Facility debt outstanding is \$59.4 million, with undrawn facilities of \$55.6 million; and
- GDI is well within its Principal Facility covenants, with a Covenant Loan to Value ratio of 8.67% (Covenant 50%) and a Covenant Interest Cover ratio of 13.16X (Covenant of 2X).

As the Principal Facility expires in October 2019, drawn debt on the Principal Facility is shown as a current liability. Given the low LVR and quality of GDI's portfolio, it is confident of its ability to refinance this facility. GDI No. 42 Office Trust's facility expires in June 2019 and is therefore also shown as current. Given that the facility was reduced to \$10.0 million on settlement of the sale of 223 – 237 Liverpool Road, Ashfield, GDI is confident this facility will also be refinanced on expiry.

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

This strong financial position enabled GDI to continue to monitor opportunities to acquire its securities on market pursuant to a previously announced on-market buyback for up to 5% of its securities. During the six months ended 31 December 2018, a further 33,234 securities were bought back and cancelled.

GDI also issued 2,947,484 new securities to satisfy performance rights issued in FY15 that vested on the signing of the FY18 financial accounts.

Securities on issue as at 31 December 2018 total 539,579,646.

### **3. Future prospects**

GDI's existing portfolio of assets in both the Property Division and the Funds Business provide significant scope for capital appreciation, and the primary focus for CY19 is to continue to implement the asset management initiatives for each of its assets to deliver on this capital appreciation. Although GDI has significant capacity to fund acquisitions by increasing the size of its Principal Facility, it considers that the current environment of low interest rates fuelling very tight capitalisation rates is unsustainable, and that in the not too distant future rising capitalisation rates and increasing supply will result in a greater number of acquisition opportunities. In the interim, GDI will look to use its balance sheet capacity to continue the asset management strategies at each of its assets, most notably the development of the excess land and ongoing capital expenditure program at Westralia Square.

GDI is pleased to confirm that, subject to no material change in circumstance, the forecast FY19 distribution per security is 7.75 cents, noting that the distribution for the first six months was 3.875 cents per security.



## GDI PROPERTY GROUP

### DIRECTORS' REPORT

For the six month period ended 31 December 2018

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

#### 4. Distribution policy beyond FY19

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

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

Given the significant value of lease expiries in FY20 (second half), particularly at Westralia Square, Perth, a higher degree of uncertainty than usual surrounds the internal forecasting of FY20 FFO. Therefore, GDI is unlikely to provide full year FY20 distribution guidance in August 2019, but does anticipate providing FY20 first half distribution guidance.

#### 5. Events subsequent to balance date

On 31<sup>st</sup> January 2019, GDI No. 42 Pty Limited atf GDI No. 42 Office Trust settled the sale of 223 - 237 Liverpool Road, Ashfield, for \$46 million. GDI No. 42 Office Trust reduced its facility and drawn debt to \$10.0 million (from \$35.4 million and \$33.0 million respectively) and distributed \$0.33 per unit to investors. As GDI No. 42 Office Trust's largest investor with 43.68% of the units on issue, GDI received a capital return of \$9.4 million.

#### 6. Rounding of Amounts

GDI is of a kind referred to in ASIC Corporations Instrument 2016/191. Accordingly, amounts in the financial report and the directors' report have been rounded to the nearest thousand in accordance with that Class Order, unless stated otherwise.

#### 7. Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

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



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Gina Anderson  
Chairman



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Steve Gillard  
Managing Director

Sydney  
Dated this 18<sup>th</sup> day of February 2019



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

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2018 there have been no contraventions of:

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

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000

*S. Kumar*

**Sandeep Kumar**  
Partner  
Date: 18 February 2019

**SYDNEY**

Level 40  
2 Park Street  
Sydney NSW 2000  
Australia

GPO Box 3555  
Sydney NSW 2001

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

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# GDI PROPERTY GROUP

## FINANCIAL REPORT

For the six month period ended 31 December 2018

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

Half year ended 31 December	Note	Group		Trust	
		2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
<b>Revenue from ordinary activities</b>					
Property income	2	37,751	33,109	37,771	33,109
Funds management income		1,144	918	-	-
Interest income		111	139	105	112
Profit on sale of non-current asset		-	5,040	-	5,040
Other income		928	-	928	-
<b>Total revenue from ordinary activities</b>		<b>39,934</b>	<b>39,206</b>	<b>38,804</b>	<b>38,260</b>
Net fair value gain on interest rate swaps		377	397	377	397
Net fair value gain on investment property		15,192	6,331	15,192	6,331
<b>Total income</b>		<b>55,503</b>	<b>45,934</b>	<b>54,373</b>	<b>44,988</b>
<b>Expenses</b>					
Property expenses		9,507	7,991	9,507	7,991
Finance costs	3	2,187	2,621	2,187	2,621
Corporate and administration expenses		3,884	3,799	4,279	1,960
Acquisition expenses		7	11,784	-	11,784
<b>Total expenses</b>		<b>15,584</b>	<b>26,195</b>	<b>15,973</b>	<b>24,356</b>
<b>Profit before tax</b>		<b>39,918</b>	<b>19,739</b>	<b>38,399</b>	<b>20,632</b>
Income tax (expense)/benefit		(429)	97	-	-
<b>Profit from continuing operations</b>		<b>39,489</b>	<b>19,837</b>	<b>38,399</b>	<b>20,632</b>
Profit from discontinued operations		-	-	-	-
<b>Net profit for the period</b>		<b>39,489</b>	<b>19,837</b>	<b>38,399</b>	<b>20,632</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<b>39,489</b>	<b>19,837</b>	<b>38,399</b>	<b>20,632</b>
<b>Profit and total comprehensive income attributable to:</b>					
Company shareholders		1,090	(796)	-	-
Trust unitholders		36,297	18,786	36,297	18,786
Profit and total comprehensive income attributable to ordinary securityholders		37,387	17,990	36,297	18,786
External non-controlling interests - GDI No. 42 Office Trust		2,102	1,846	2,102	1,846
<b>Profit and total comprehensive income</b>		<b>39,489</b>	<b>19,837</b>	<b>38,399</b>	<b>20,632</b>
Basic earnings per stapled security/trust unit		6.94	3.35	6.74	3.50
Diluted earnings per stapled security/trust unit		6.91	3.32	6.70	3.47

The accompanying notes form part of these financial statements.

# GDI PROPERTY GROUP

## FINANCIAL REPORT

As at 31 December 2018

### CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		Group		Trust	
	Note	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000
<b>Current assets</b>					
Cash and cash equivalents		10,581	22,361	9,801	20,873
Trade and other receivables		3,919	2,892	4,378	1,636
Non-current assets held for sale	4	43,110	43,110	43,110	43,110
Other assets		5,029	1,649	2,429	2,483
<b>Total current assets</b>		<b>62,638</b>	<b>70,013</b>	<b>59,719</b>	<b>68,102</b>
<b>Non-current assets</b>					
Investment properties	5	747,474	722,042	747,474	722,042
Plant and equipment		70	75	-	-
Deferred tax assets		728	1,157	-	-
Intangible assets		18,110	18,110	-	-
<b>Total non-current assets</b>		<b>766,382</b>	<b>741,385</b>	<b>747,474</b>	<b>722,042</b>
<b>Total assets</b>		<b>829,020</b>	<b>811,398</b>	<b>807,192</b>	<b>790,145</b>
<b>Current liabilities</b>					
Borrowings	6	92,234	31,924	92,093	31,782
Derivative financial instruments		-	377	-	377
Trade and other payables		27,553	28,962	26,716	27,516
Provisions		306	223	-	-
<b>Total current liabilities</b>		<b>120,093</b>	<b>61,486</b>	<b>118,808</b>	<b>59,675</b>
<b>Non-current liabilities</b>					
Borrowings	6	-	59,157	-	59,157
Provisions		124	167	-	-
Other liabilities		11	11	-	-
<b>Total non-current liabilities</b>		<b>134</b>	<b>59,335</b>	<b>-</b>	<b>59,157</b>
<b>Total liabilities</b>		<b>120,227</b>	<b>120,821</b>	<b>118,808</b>	<b>118,832</b>
<b>Net assets</b>		<b>708,793</b>	<b>690,578</b>	<b>688,384</b>	<b>671,313</b>
<b>Equity</b>					
Contributed equity		22,301	22,214	502,263	500,335
Reserves		161	194	3,547	4,279
Retained profits		(2,053)	(3,143)	145,927	130,539
<b>Equity attributable to equity holders of the Company/ Trust</b>		<b>20,409</b>	<b>19,265</b>	<b>651,737</b>	<b>635,153</b>
<b>Non-controlling interests</b>					
<b>Unitholders of the Trust</b>					
Contributed equity		502,263	500,335	-	-
Reserves		3,547	4,279	-	-
Retained profits		145,927	130,539	-	-
<b>Total equity attributable to trust unitholders</b>		<b>651,737</b>	<b>635,153</b>	<b>-</b>	<b>-</b>
<b>Equity attributed to holders of stapled securities</b>		<b>672,146</b>	<b>654,418</b>	<b>-</b>	<b>-</b>
<b>External non-controlling interest</b>					
Contributed equity		36,890	36,890	36,890	36,890
Retained profits		(242)	(730)	(242)	(730)
<b>Total equity attributable to non-controlling interest - GDI No. 42 Office Trust</b>		<b>36,648</b>	<b>36,160</b>	<b>36,648</b>	<b>36,160</b>
<b>Total equity</b>		<b>708,793</b>	<b>690,578</b>	<b>688,384</b>	<b>671,313</b>

The accompanying notes form part of these financial statements.

# GDI PROPERTY GROUP

## FINANCIAL REPORT

As at 31 December 2018

### CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to securityholders of the Group				Non-controlling interest (Trust)	External non-controlling interest (GDI No. 42 Office Trust)	Total equity
	Contributed equity	Reserves	Retained earnings	Total			
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2017	22,264	125	(3,332)	19,057	601,823	38,156	659,036
<b>Comprehensive income</b>							
Profit for the period	-	-	(796)	(796)	18,786	1,846	19,837
<b>Total comprehensive income for the period</b>	-	-	(796)	(796)	18,786	1,846	19,837
<b>Transactions with securityholders in their capacity as securityholders</b>							
Security-based payments expense	-	55	-	55	1,205	-	1,260
Cash settlement transactions	-	(10)	-	(10)	(230)	-	(240)
Issue and formation costs	-	-	-	-	(1)	-	(1)
Transfer from security based payment reserve	-	(7)	7	-	-	-	-
On market buy-back	(50)	-	-	(50)	(1,112)	-	(1,163)
Distributions paid/payable	-	-	-	-	(20,796)	(1,614)	(22,410)
<b>Total transactions with securityholders in their capacity as securityholders</b>	(50)	37	7	(6)	(20,934)	(1,614)	(22,554)
<b>Balance as at 31 December 2017</b>	<b>22,214</b>	<b>162</b>	<b>(4,120)</b>	<b>18,255</b>	<b>599,675</b>	<b>38,388</b>	<b>656,318</b>
Balance as at 1 July 2018	22,214	194	(3,143)	19,265	635,153	36,160	690,578
<b>Comprehensive income</b>							
Profit for the period	-	-	1,090	1,090	36,297	2,102	39,489
<b>Total comprehensive income for the period</b>	-	-	1,090	1,090	36,297	2,102	39,489
<b>Transactions with securityholders in their capacity as securityholders</b>							
Security-based payments expense	-	56	-	56	1,234	-	1,290
Issued equity	89	(89)	-	-	-	-	-
On market buy-back	(2)	-	-	(2)	(39)	-	(41)
Distributions paid/payable	-	-	-	-	(20,909)	(1,614)	(22,523)
<b>Total transactions with securityholders in their capacity as securityholders</b>	<b>87</b>	<b>(33)</b>	<b>-</b>	<b>54</b>	<b>(19,714)</b>	<b>(1,614)</b>	<b>(21,274)</b>
<b>Balance as at 31 December 2018</b>	<b>22,301</b>	<b>161</b>	<b>(2,053)</b>	<b>20,409</b>	<b>651,737</b>	<b>36,648</b>	<b>708,793</b>

The accompanying notes form part of these financial statements.

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

As at 31 December 2018

	Equity attributable to unitholders of the Trust				External non-controlling interest (GDI No. 42 Office Trust)	Total equity
	Contributed equity	Reserves	Retained earnings	Total equity attributable to unitholders of the Trust		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance as at 1 July 2017	501,448	2,752	97,624	601,823	38,156	639,979
<b>Comprehensive income</b>						
Profit for the period	-	-	18,786	18,786	1,846	20,632
<b>Total comprehensive income for the period</b>	-	-	<b>18,786</b>	<b>18,786</b>	<b>1,846</b>	<b>20,632</b>
<b>Transactions with unitholders in their capacity as unitholders</b>						
Security-based payments expense	-	1,205	-	1,205	-	1,205
Cash settlement transactions	-	(230)	-	(230)	-	(230)
Issue and formation costs	(1)	-	-	(1)	-	(1)
Transfer from security based payment reserve	-	(160)	160	-	-	-
On market buy-back	(1,112)	-	-	(1,112)	-	(1,112)
Distributions paid/payable	-	-	(20,796)	(20,796)	(1,614)	(22,410)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>(1,114)</b>	<b>815</b>	<b>(20,636)</b>	<b>(20,934)</b>	<b>(1,614)</b>	<b>(22,548)</b>
<b>Balance as at 31 December 2017</b>	<b>500,335</b>	<b>3,567</b>	<b>95,773</b>	<b>599,675</b>	<b>38,388</b>	<b>638,063</b>
Balance as at 1 July 2018	500,335	4,279	130,539	635,153	36,160	671,313
<b>Comprehensive income</b>						
Profit for the period	-	-	36,297	36,297	2,102	38,399
<b>Total comprehensive income for the period</b>	-	-	<b>36,297</b>	<b>36,297</b>	<b>2,102</b>	<b>38,399</b>
<b>Transactions with unitholders in their capacity as unitholders</b>						
Security-based payments expense	-	1,234	-	1,234	-	1,234
Issued equity	1,966	(1,966)	-	-	-	-
Cash settlement transactions	-	-	-	-	-	-
Issue and formation costs	-	-	-	-	-	-
Transfer from security based payment reserve	-	-	-	-	-	-
On market buy-back	(39)	-	-	(39)	-	(39)
Distributions paid/payable	-	-	(20,909)	(20,909)	(1,614)	(22,523)
<b>Total transactions with unitholders in their capacity as unitholders</b>	<b>1,927</b>	<b>(732)</b>	<b>(20,909)</b>	<b>(19,714)</b>	<b>(1,614)</b>	<b>(21,328)</b>
<b>Balance as at 31 December 2018</b>	<b>502,263</b>	<b>3,547</b>	<b>145,927</b>	<b>651,737</b>	<b>36,648</b>	<b>688,384</b>

The accompanying notes form part of these financial statements.

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

As at 31 December 2018

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Group		Trust	
	2018	2017	2018	2017
Half year ended 31 December	\$'000	\$'000	\$'000	\$'000
<b>Cash flows from operating activities</b>				
Receipts in the course of operations	38,012	32,922	35,828	33,292
Payments in the course of operations	(12,381)	(8,827)	(10,674)	(7,818)
Interest received	111	139	105	112
Interest paid	(1,879)	(2,490)	(1,879)	(2,490)
<b>Net cash inflow from operating activities</b>	<b>23,863</b>	<b>21,744</b>	<b>23,380</b>	<b>23,096</b>
<b>Cash flows from investing activities</b>				
Payments for investment properties	-	(228,034)	-	(228,034)
Proceeds from the sale of investment properties	-	228,400	-	228,400
Payments for other capitalised costs	(46)	(26)	(43)	-
Payments for capital expenditure	(8,976)	(5,182)	(8,976)	(5,182)
Payment of tenant incentives	(3,633)	(3,733)	(3,633)	(3,733)
Loan to associated entities	(1,968)	(596)	(687)	(841)
Repayment of loans to associated entities	425	1,193	330	428
<b>Net cash used in investing activities</b>	<b>(14,198)</b>	<b>(7,978)</b>	<b>(13,008)</b>	<b>(8,962)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	1,005	239,514	1,005	239,514
Repayment of borrowings	-	(228,514)	-	(228,514)
Payments for the on-market buy-back of securities	(41)	(1,163)	(39)	(1,112)
Payment of loan transaction costs	-	(100)	-	(100)
Loan to associated entities	-	(7,388)	-	(7,187)
Payment of distributions to securityholders/unitholders	(22,410)	(22,410)	(22,410)	(22,410)
<b>Net cash from financing activities</b>	<b>(21,445)</b>	<b>(20,060)</b>	<b>(21,444)</b>	<b>(19,809)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(11,780)</b>	<b>(6,294)</b>	<b>(11,072)</b>	<b>(5,675)</b>
Cash and cash equivalents at beginning of period	22,361	23,113	20,873	21,620
<b>Cash and cash equivalents at the end of the period</b>	<b>10,581</b>	<b>16,818</b>	<b>9,801</b>	<b>15,945</b>

*The accompanying notes form part of these financial statements.*

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

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

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

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

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

The half yearly financial statements are authorised for issue on 18 February 2019 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 2018 have been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: *Interim Financial Reporting*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This half year financial report is intended to provide users with an update on the latest annual financial statements of the Group and its controlled entities and GDI Property Trust and its controlled entities. As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the financial year ended 30 June 2018, 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) New accounting policies

*AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).*

AASB 9 introduces various new concepts including:

- amended rules for hedge accounting;



## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

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- changes to the categorisation and measurement of financial assets particularly affecting those measured as available for sale (AFS) or held to maturity (HTM);
- new methods of calculating impairment losses of financial assets; and
- a change to the rules surrounding the modification of financial liabilities measured at amortised cost.

The Group has adopted AASB 9 Financial Instruments with an initial application date of 1 July 2018. The Group has applied AASB 9 retrospectively and the cumulative effect of initially applying the standard was nil, so no adjustments were required on transition.

*AASB 15 Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018).*

AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer. This new standard requires a five step analysis of transactions to determine whether, how much and the point at which revenue is recognised. It applies to all contracts with customers except leases, financial instruments and insurance contracts.

The Group has adopted AASB 15 *Revenue from Contracts with Customers* with an initial application date of 1 July 2018. The Group has applied AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised in opening retained earnings. The cumulative effect of initially applying the standard was nil, so no adjustments were required to net profit or opening retained earnings on transition as the timing of revenue recognition has not changed for the Group's contracts that were in progress at 1 July 2018.

#### **(d) New accounting standards for application in future periods**

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

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

AASB16 is not expected to have a material impact on the Group as the only leases the Group has entered in to as a lessee are for its Head Office premises and a photocopier, neither of which is material. Based on the adoption of AASB16 it is estimated that had this standard applied at balance date the right to use asset and liability would have amounted to \$409,427.

#### **(e) Accounting policies**

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

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

#### NOTE 2 – PROPERTY REVENUE

Half year ended 31 December	Group		Trust	
	2018	2017	2018	2017
Property revenue	\$'000	\$'000	\$'000	\$'000
Rent and recoverable outgoings	39,993	36,184	40,013	36,184
Amortisation of leasing costs and incentives	(2,242)	(3,075)	(2,242)	(3,075)
<b>Total property revenue</b>	<b>37,751</b>	<b>33,109</b>	<b>37,771</b>	<b>33,109</b>

#### NOTE 3 – FINANCE COSTS

Half year ended 31 December	Group		Trust	
	2018	2017	2018	2017
Finance costs	\$'000	\$'000	\$'000	\$'000
Interest paid / payable	2,187	2,621	2,187	2,621
<b>Total finance costs</b>	<b>2,187</b>	<b>2,621</b>	<b>2,187</b>	<b>2,621</b>

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

During FY18, GDI engaged the services of real estate agents to market for sale 223 – 237 Liverpool Road, Ashfield (GDI No. 42 Office Trust). Accordingly, the property was classified as a Non-current asset held for sale in the 30 June 2018 financial statements.

On 24 August 2018, GDI No. 42 Pty Limited atf GDI No. 42 Office Trust exchanged contracts to sell 223 – 237 Liverpool Road, Ashfield, for \$46.0 million. Settlement of the sale occurred on 31 January 2019.

	Group		Trust	
	31 December	30 June	31 December	30 June
	2018	2018	2018	2018
Assets held for sale	\$'000	\$'000	\$'000	\$'000
Investment properties	43,110	43,110	43,110	43,110
<b>Total assets held for sale</b>	<b>43,110</b>	<b>43,110</b>	<b>43,110</b>	<b>43,110</b>

#### NOTE 5 – INVESTMENT PROPERTIES

	Group		Trust	
	31 December	30 June	31 December	30 June
	2018	2018	2018	2018
a) Investment properties at fair value	\$'000	\$'000	\$'000	\$'000
<i>Movement in investment properties</i>				
Balance at beginning of the year	722,042	499,628	722,042	499,628
Additions				
- Investment property	-	216,250	-	216,250
Assets transferred to other assets / non-current assets held for sale	12	(43,110)	12	(43,110)
Capital works				
- Property improvements	7,352	6,406	7,352	6,406
- Maintenance capital (GDI Property Trust)	1,538	3,065	1,538	3,065
- Maintenance capital (GDI No. 42 Office Trust)	211	1,529	211	1,529
Straight-lining of rental income	55	432	55	432

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

Leasing costs	860	733	860	733
Amortisation of lease costs	(327)	(435)	(327)	(435)
Net gain/(loss) from fair value adjustments	15,192	37,195	15,192	37,195
Incentives paid (GDI Property Trust)	1,944	3,077	1,944	3,077
Incentives paid (GDI No. 42 Office Trust)	700	(8)	700	(8)
Capitalised outstanding lease incentives	(190)	(316)	(190)	(316)
Amortisation of incentives (GDI Property Trust)	(1,762)	(2,396)	(1,762)	(2,396)
Amortisation of incentives (GDI No. 42 Office Trust)	(153)	(8)	(153)	(8)
<b>Balance</b>	<b>747,474</b>	<b>722,042</b>	<b>747,474</b>	<b>722,042</b>

#### b) Valuation basis

The basis of valuation of investment properties is fair value, being the amounts for which the assets could be exchanged between knowledgeable willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

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

<i>Valuation basis</i>	31 December 2018	30 June 2018
Occupancy	86.9%	83.8%
Weighted average lease expiry by area (years)	2.4 years	2.7 years
Weighted average capitalisation rate (%)	7.1%	7.2%

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 24 months and tenant retention ranges from 50% to 75%.

#### c) Assets pledged as security

Borrowings (refer Note 6) are secured by General Security Agreement (GSA) over each investment property plus charges over any building document, lease document, performance bond and bank guarantee in addition to a real property mortgage over each property.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

#### d) Details of investment properties

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

	Title	Acquisition date	Acquisition price	Independent valuation date	Independent valuation	Carrying amount 31 December 2018	Fair value adjustment
			\$'000		\$'000	\$'000	\$'000
<b>Investment properties</b>							
Mill Green Complex, Perth <sup>1</sup>	Freehold	16 December 2013	332,656	31 December 2018	330,000	330,000	6,104
50 Cavill Avenue, Surfers Paradise	Freehold	1 February 2016	46,139	31 December 2018	100,000	100,000	9,088
Unit 38, 46 Cavill Ave, Surfers Paradise	Strata	12 August 2016	1,240	-	-	1,240	-
235 Stanley Street, Townsville	Freehold	16 June 2016	53,500	30 June 2018	53,500	54,309	-
141 St Georges Terrace, Perth	Freehold	27 October 2017	216,250	30 June 2018	255,000	261,924	-
<b>Total Investment properties</b>			<b>649,785</b>		<b>738,500</b>	<b>747,474</b>	<b>15,192</b>
<b>Assets transferred to non-current assets held for sale</b>							
223 - 237 Liverpool Rd, Ashfield	Freehold	17 December 2015	35,000	30 June 2017	43,000	43,110	-
			<b>684,785</b>		<b>781,500</b>	<b>790,584</b>	<b>15,192</b>

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

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

#### NOTE 6 – BORROWINGS

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

a) Interest bearing liabilities – current	Group		Trust	
	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000
<b>Borrowings</b>				
<i>Secured liabilities:</i>				
Loans - financial institutions	92,359	31,975	92,359	31,975
Transaction costs	(124)	(51)	(266)	(193)
<b>Total borrowings</b>	<b>92,234</b>	<b>31,924</b>	<b>92,093</b>	<b>31,782</b>

b) Interest bearing liabilities – non-current	Group		Trust	
	31 December 2018 \$'000	30 June 2018 \$'000	31 December 2018 \$'000	30 June 2018 \$'000
<b>Borrowings</b>				
<i>Secured liabilities:</i>				
Loans - financial institutions	-	59,379	-	59,379
Transaction costs	-	(221)	-	(221)
<b>Total borrowings</b>	<b>-</b>	<b>59,158</b>	<b>-</b>	<b>59,158</b>

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

#### Borrowing details

Facility	Secured	Maturity date	Facility \$'000	Utilised \$'000	Unutilised \$'000
Facility Tranche B <sup>1</sup>	Yes	October 2019	60,000	20,879	39,121
Facility Tranche C <sup>1</sup>	Yes	October 2019	55,000	38,500	16,500
Term Loan <sup>2</sup>	Yes	June 2019	30,975	30,975	-
Commercial Equity Facility <sup>2</sup>	Yes	June 2019	4,425	2,005	2,420
			<b>150,400</b>	<b>92,359</b>	<b>58,041</b>
Facility Tranche D <sup>3</sup>	Yes	October 2019	5,000	-	-
<b>Total facility</b>			<b>155,400</b>	<b>92,359</b>	<b>58,041</b>

- The principle facility is secured by first registered mortgage over the wholly owned investment properties, held by the Group and a registered GSA over the assets of the Group. Interest is payable monthly in arrears at variable rates based on either the 30 or 90 day BBSY. Line fees are payable quarterly in advance.
- The term loan and commercial equity facility are secured by the assets of GDI No. 42 Office Trust, namely 223 – 237 Liverpool Road, Ashfield and 235 Stanley Street, Townsville. 223 – 237 Liverpool Road, Ashfield, was sold on 31 January 2019. On settlement, the Term Loan Facility was reduced to \$10.0 million, with that amount fully utilised. The Commercial Equity Facility was terminated.
- 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 7 – DIVIDENDS/DISTRIBUTIONS PAID/PAYABLE

##### a) Dividends paid/payable by the Company

There were no dividends paid or payable by the Company in respect of the period ended 31 December 2018.

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

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

	Group Half year ended December 2018 cents/security	Trust Half year ended December 2018 cents/unit
<b>Distributions paid / payable by the Group / Trust</b>		
31 August 2018	3.875	3.875
28 February 2019	3.875	3.875

#### NOTE 8 – 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 2018

### b) Segment information

#### (i) Segment performance

	Property	Funds management	Reviewed but unallocated	Total
Half year ended 31 December 2018	\$'000	\$'000	\$'000	\$'000
<b>Operating earnings</b>				
Net property income	28,244	-	-	28,244
Funds Management income	-	1,144	-	1,144
Other income	926	-	2	928
<b>Total operating earnings</b>	<b>29,170</b>	<b>1,144</b>	<b>2</b>	<b>30,316</b>
<b>FFO adjustments</b>				
Straight-lining rental income	(67)	-	-	(67)
Amortisation and depreciation	2,242	-	8	2,250
Adjustment for GDI No. 42 Office Trust	(4,820)	1,435	7	(3,378)
<b>FFO pre corporate, administration and interest expenses / income</b>	<b>26,525</b>	<b>2,579</b>	<b>17</b>	<b>29,121</b>
<b>+/- corporate, administration and interest expense / income</b>				
Interest paid	(1,436)	-	-	(1,436)
Interest income	104	6	-	110
Corporate and administration expenses	(1,272)	-	(2,611)	(3,884)
Income tax (expense)/benefit	-	(429)	-	(429)
<b>Total FFO</b>	<b>23,921</b>	<b>2,156</b>	<b>(2,594)</b>	<b>23,483</b>
Net fair value gain on interest rate swaps	377	-	-	377
Net fair value gain of investment properties	15,192	-	-	15,192
Straight-lining rental income	67	-	-	67
Amortisation of leasing fees and incentives	(2,242)	-	-	(2,242)
Amortisation of loan establishment costs	(148)	-	-	(148)
Depreciation	-	-	(8)	(8)
Profit on sale of non-current asset	-	-	-	-
Adjustment for GDI No. 42 Office Trust	4,211	(1,435)	-	2,776
Acquisition Costs	(7)	-	-	(7)
<b>Profit after tax from ordinary activities</b>	<b>41,371</b>	<b>721</b>	<b>(2,602)</b>	<b>39,489</b>

	Property	Funds management	Reviewed but unallocated	Total
Half year ended 31 December 2017	\$'000	\$'000	\$'000	\$'000
<b>Operating earnings</b>				
Net property income	25,118	-	-	25,118
Funds Management income	-	918	-	918
Other income	-	-	-	-
<b>Total operating earnings</b>	<b>25,118</b>	<b>918</b>	<b>-</b>	<b>26,036</b>
<b>FFO adjustments</b>				
Straight-lining rental income	(857)	-	(5)	(862)
Amortisation and depreciation	3,075	-	12	3,087
Adjustment for GDI No. 42 Office Trust	(4,080)	1,493	-	(2,587)
<b>FFO pre corporate, administration and interest expenses / income</b>	<b>23,255</b>	<b>2,412</b>	<b>7</b>	<b>25,674</b>
<b>+/- corporate, administration and interest expense / income</b>				
Interest paid	(2,361)	-	-	(2,361)

# GDI PROPERTY GROUP

## NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

Interest income	112	28	-	139
Corporate and administration expenses	(1,960)	-	(1,839)	(3,799)
Adjustment for GDI No.42 Office Trust	991	-	-	991
Income tax (expense)/benefit	-	97	-	97
<b>Total FFO</b>	<b>20,038</b>	<b>2,537</b>	<b>(1,832)</b>	<b>20,742</b>
<b>+/- AIFRS adjustments from FFO to profit after tax from ordinary activities</b>				
Net fair value gain on interest rate swaps	397	-	-	397
Net fair value gain of investment properties	6,331	-	-	6,331
Straight-lining rental income	857	-	5	862
Amortisation of leasing fees and incentives	(3,075)	-	(12)	(3,087)
Amortisation of loan establishment costs	(260)	-	-	(260)
Depreciation				
Profit on sale of non-current asset	5,040	-	-	5,040
Adjustment for GDI No. 42 Office Trust	3,089	(1,493)	-	1,595
Acquisition Costs	(11,784)	-	-	(11,784)
<b>Profit after tax from ordinary activities</b>	<b>20,632</b>	<b>1,044</b>	<b>(1,839)</b>	<b>19,837</b>

(ii) Segment assets and liabilities

	Property	Funds	Reviewed but	Total
	\$'000	management	unallocated	
	\$'000	\$'000	\$'000	\$'000
<b>As at 31 December 2018</b>				
<b>Segment assets and liabilities</b>				
Total assets	764,614	64,407	-	829,020
Total liabilities	(104,361)	(15,867)	-	(120,227)
<b>Net assets</b>	<b>660,253</b>	<b>48,540</b>	<b>-</b>	<b>708,793</b>
<b>As at 30 June 2018</b>				
<b>Segment assets and liabilities</b>				
Total assets	747,945	63,453	-	811,398
Total liabilities	(104,846)	(15,975)	-	(120,821)
<b>Net assets</b>	<b>643,100</b>	<b>47,478</b>	<b>-</b>	<b>690,578</b>



## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

#### NOTE 9 – FAIR VALUE MEASUREMENTS

##### a) Valuation techniques

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

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

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

##### b) Financial instruments

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

	31 December 2018		30 June 2018	
	Carrying amount \$'000	Fair value \$'000	Carrying amount \$'000	Fair value \$'000
<b>Financial assets</b>				
Cash and cash equivalents	10,581	10,581	22,361	22,361
Trade and other receivables	3,919	3,919	2,892	2,892
<b>Total financial assets</b>	<b>14,500</b>	<b>14,500</b>	<b>25,253</b>	<b>25,253</b>
<b>Financial liabilities</b>				
Trade and other payables	27,553	27,553	28,962	28,962
Provisions	430	430	390	390
Borrowings	92,234	92,234	91,081	91,081
Derivative financial instruments	-	-	377	377
<b>Total financial liabilities</b>	<b>120,217</b>	<b>120,217</b>	<b>120,810</b>	<b>120,810</b>

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

#### c) Fair value hierarchy

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

- Derivative financial instruments; and
- Investment properties.

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

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

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

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

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

	As at 31 December 2018			As at 30 June 2018		
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
<b>Recurring fair value measurements</b>						
<i>Non-financial assets</i>						
- Investment properties	-	747,474	-	-	722,042	-
<b>Total non-financial assets recognised at fair value on a recurring basis</b>	-	<b>747,474</b>	-	-	<b>722,042</b>	-
<i>Financial liabilities</i>						
- Interest rate swaps	-	-	-	-	377	-
<b>Total financial liabilities recognised at fair value on a recurring basis</b>	-	-	-	-	<b>377</b>	-

## GDI PROPERTY GROUP

### NOTES TO THE FINANCIAL STATEMENTS

For the six month period ended 31 December 2018

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

	31 December 2018 \$'000	30 June 2018 \$'000	Valuation technique	Inputs Used
<b>Financial assets/liabilities</b>				
Interest rate swaps	-	(377)	Income approach using discounted cash flow methodology	BBSY swap rate
<b>Non-financial assets</b>				
Investment properties <sup>1</sup>	747,474	722,042	Market approach using discounted cash flow, rent capitalisation and recent observable market data methodologies	Comparable discount rates, capitalisation rates and price per square metres of NLA

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

#### d) Sensitivity information

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

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

#### NOTE 10 – CONTINGENT LIABILITIES

There was no change in the contingent liabilities of the Group and the Trust as at 31 December 2018 since the last annual reporting period.

#### NOTE 11 – EVENTS AFTER THE REPORTING DATE

On 31<sup>st</sup> January 2019, GDI No. 42 Pty Limited atf GDI No. 42 Office Trust settled the sale of 223 - 237 Liverpool Road, Ashfield, for \$46 million. GDI No. 42 Office Trust reduced its facility and drawn debt to \$10.0 million (from \$35.4 million and \$33.0 million respectively) and distributed \$0.33 per unit to investors. As GDI No. 42 Office Trust's largest investor with 43.68% of the units on issue, GDI received a capital return of \$9.4 million.

## DIRECTORS' DECLARATION

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

**Directors' Declaration**

**For the six month period ended 31 December 2018**

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

- (a) the financial statements and notes that are set out on pages 7 to 23 are in accordance with the Corporations Act 2001, including:
  - (i) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; and
  - (ii) giving a true and fair view of the financial position as at 31 December 2018 and of the performance for the half year ended on that date;
- (b) there are reasonable grounds to believe that GDI will be able to pay its debts as and when they become due and payable.

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



Gina Anderson  
Chairman

Dated this 18<sup>th</sup> day of February 2019

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

**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 2018, 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 2018 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.

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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 2018 and of its performance for the half-year ended on that date; and
- b. complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

*Hall Chadwick*

Hall Chadwick  
Level 40, 2 Park Street  
Sydney NSW 2000

*S. Kumar*

**Sandeep Kumar**  
Partner  
Dated: 18 February 2019