The GPT Group


# Interim Report 2021

# Introduction

Welcome to The GPT Group 2021 Interim Financial Report.

GPT acknowledges the Traditional Custodians of the lands on which our business and assets operate, and recognise their ongoing connection to land, waters and community. We pay our respects to First Nations Elders past, present and emerging.

The GPT Group (GPT) is a stapled entity comprised of General Property Trust (the Trust) and its controlled entities and GPT Management Holdings Limited (the Company) and its controlled entities.

General Property Trust is a registered scheme, registered and domiciled in Australia. GPT RE Limited is the Responsible Entity of General Property Trust. GPT Management Holdings is a company limited by shares, incorporated and domiciled in Australia. GPT RE Limited is a wholly owned entity of GPT Management Holdings Limited.

In this report references to 'GPT', 'Group', 'we', 'us' and 'our' refer to The GPT Group, unless otherwise stated. Information in this Report is stated as at 30 June 2021 unless otherwise indicated. All values are expressed in Australian currency unless otherwise indicated. Key statistics for the Retail and Office divisions include The GPT Group's weighted interest in the GPT Wholesale Shopping Centre Fund (GWSCF) and the GPT Wholesale Office Fund (GWOF) respectively.

## Reporting suite

The 2021 Interim Financial Report forms part of our reporting suite. Further information is available in our broader reporting suite, which includes:

### Results Presentation and Data Pack

A summary of GPT's operating and financial performance and key developments in our business and portfolio, accompanied by a data supplement released every six months.

### Property Compendium

Consolidated information about the assets in the Group's property portfolio, published every six months.

### Climate Disclosure Statement

An annual statement of the steps we are taking to identify, assess and manage climate change risks and opportunities, prepared in accordance with TCFD recommendations.

### Corporate Governance Statement

An annual statement of how GPT addresses the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (4th Edition).

### Tax Transparency Report

A report in accordance with the voluntary Tax Transparency Code as part of the Group's commitment to tax transparency.

### Sustainability Report

A detailed report of our sustainability policies, priorities and progress along with future targets, released annually.

Through our website, GPT has ensured that its corporate reporting is timely, complete and available globally. All media releases, financial reports, and other information are available on GPT's website: www.gpt.com.au

## Contents

# About GPT

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

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

## Our vision

To be the most respected property company in Australia in the eyes of our investors, people, customers and communities.

## Our purpose

To create value for investors by providing high quality real estate spaces that enable people to excel and our customers and communities to prosper in a sustainable way.

## Our values

Each day, our core values guide our employees as they work to deliver on our purpose.

**Safety First – Everyone, Always**
We care about people above everything else.

**Deliver Today, Create Tomorrow**
We focus on the present and the future to deliver consistent, dependable performance.

**Value Differences, Play as a Team**
We embrace our diverse backgrounds, experiences.

**Raise the Bar**
We think big, take initiative, share ideas and challenge the status quo.

**Speak Up**
We are courageous and speak up about things that matter.

**$25.3b**
assets under management

**79**
properties

**~3,600**
tenants

**32,000+**
securityholders

**~500**
employees

**~$8.9b**
market capitalisation

# Group Performance

## Review of Operations and Operating Result

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

### Funds from Operations (FFO)

Funds from Operations (FFO) represents GPT's underlying earnings from its operations. This is determined by adjusting statutory net profit after tax under Australian Accounting Standards for certain items which are non-cash, unrealised or capital in nature. FFO includes impairment losses related to uncollected trade receivables.

GPT delivered FFO of $302.3 million for the half year ended 30 June 2021, an increase of 23.6 per cent on the prior comparable period due to significantly improved performance across the Group portfolio. FFO per security increased 24.6 per cent to 15.64 cents, reflecting the improved performance and the reduction in securities from the on-market buy-back. For the half year ended 30 June 2021, the Group bought back 32.3 million securities (1.7% of securities issued) for a total consideration of $146.8 million, being an average price of $4.54 per security.

Total management and administration expenses of $39.8 million across all segments (30 June 2020: $29.9 million) and corporate overheads of $23.4 million (30 June 2020: $7.6 million) increased due to prior year withdrawal of remuneration schemes and receipt of JobKeeper assistance plus an increase in Directors and Officers insurance costs this period.

GPT's statutory net profit after tax was $760.5 million, as compared to a loss of $520.4 million in the prior comparable period, predominantly due to positive investment property valuation movements of $471.7 million (30 June 2020: negative revaluation of $711.3 million).

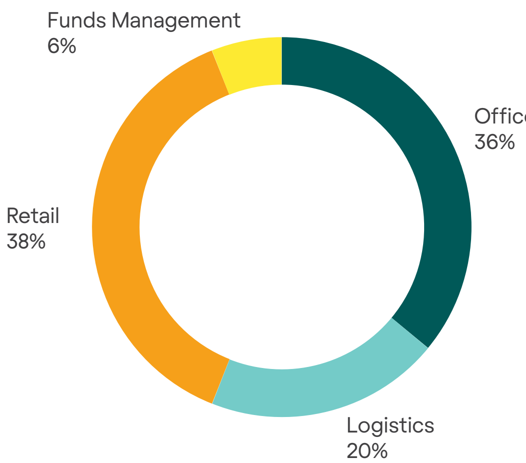
The Group's 12 month Total Return was 10.2 per cent (30 June 2020: negative 0.1 per cent) as a result of investment property revaluation gains driving an increase in NTA per stapled security of 29 cents to $5.86 for the six months ended 30 June 2021.

## Distribution

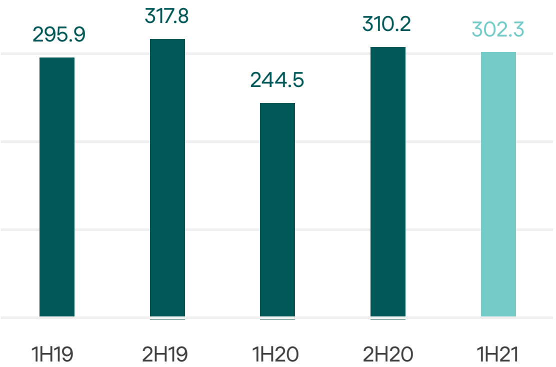
The Group targets to distribute 95 to 105 per cent of free cash flow, defined as operating cash flow less maintenance and leasing capex and inventory movements.

Distributions to stapled securityholders relating to the half year ended 30 June 2021 totalled $254.8 million (30 June 2020: $181.2 million), representing an interim distribution of 13.3 cents per ordinary stapled security, up 43.0 per cent on 30 June 2020 (30 June 2020: 9.3 cents). The interim distribution was declared on 16 August 2021 and is expected to be paid on 31 August 2021. The payout ratio for the half year ended 30 June 2021 is 99.9 per cent of free cash flow.

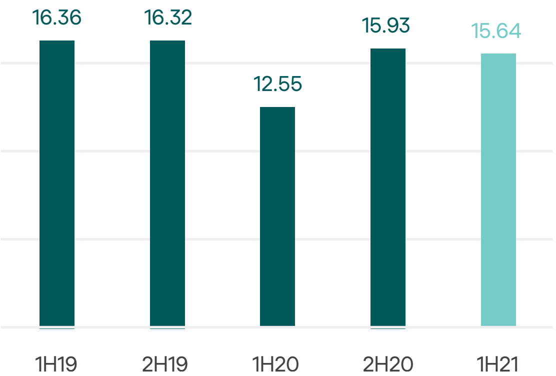
### 1H21 Group FFO earnings composition



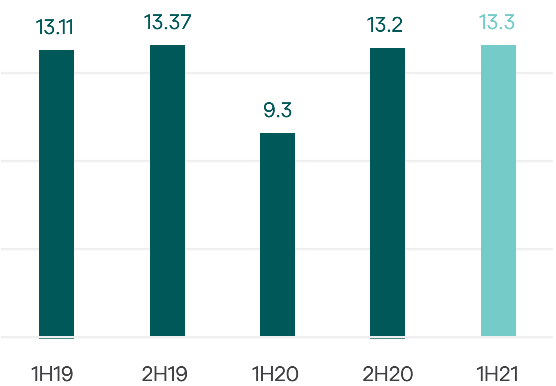
### Funds From Operations ($M)




### FFO per ordinary stapled security (cents)




### Distribution per ordinary stapled security (cents)




## FFO Reconciliation

| For the half year ended | 30 Jun 21 $M | 30 Jun 20 $M[1] | Change |
|---|---|---|---|
| **Retail** | | | |
| – Operations net income | 141.0 | 74.7 | |
| – Development net income | (0.2) | 4.5 | |
| | 140.8 | 79.2 | 77.8% |
| **Office** | | | |
| - Operations net income | 133.3 | 139.4 | |
| - Development net income | 1.2 | 0.5 | |
| | 134.5 | 139.9 | (3.9%) |
| **Logistics** | | | |
| – Operations net income | 73.5 | 64.7 | |
| – Development net income | 2.0 | (0.3) | |
| | 75.5 | 64.4 | 17.2% |
| Funds management net income | 23.9 | 24.2 | (1.2%) |
| Corporate management expenses | (23.4) | (7.6) | 207.9% |
| Net finance costs | (44.3) | (49.1) | (9.8%) |
| Income tax expense | (4.7) | (6.5) | (27.7%) |
| **Funds from Operations (FFO)** | **302.3** | **244.5** | **23.6%** |
| **Non-FFO items:** | | | |
| Valuation increase/ (decrease) | 471.7 | (711.3) | 166.3% |
| Financial instruments mark to market and net foreign exchange movements | 0.5 | (51.5) | 101.0% |
| Other items | (14.0) | (2.1) | 566.7% |
| **Net profit/(loss) for the half year after tax** | **760.5** | **(520.4)** | **246.1%** |
| **FFO per ordinary stapled security (cents)** | **15.64** | **12.55** | **24.6%** |
| **Funds from Operations (FFO)[2]** | **302.3** | **244.5** | **23.6%** |
| Maintenance capex | (12.9) | (18.5) | (30.3%) |
| Lease incentives | (23.1) | (28.9) | (20.1%) |
| **Adjusted Funds from Operations (AFFO)[2]** | **266.3** | **197.1** | **35.1%** |

[1] The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

[2] FFO and AFFO have been determined in accordance with the guidelines issued by the Property Council of Australia.

# Group Performance (continued)

## Financial Position

| | Net Assets 30 Jun 21 $M | Net Assets 31 Dec 20 $M[3] | Change |
|---|---|---|---|
| **Portfolio assets** | | | |
| Retail | 5,713.6 | 5,651.4 | 1.1% |
| Office | 5,803.7 | 5,622.5 | 3.2% |
| Logistics | 3,393.9 | 3,010.8 | 12.7% |
| **Total portfolio assets** | **14,911.2** | **14,284.7** | **4.4%** |
| Financing and corporate assets | 783.1 | 1,062.2 | (26.3%) |
| **Total assets** | **15,694.3** | **15,346.9** | **2.3%** |
| Borrowings | 4,128.0 | 4,087.4 | 1.0% |
| Other liabilities | 319.6 | 382.0 | (16.3%) |
| **Total liabilities** | **4,447.6** | **4,469.4** | **(0.5%)** |
| **Net assets** | **11,246.7** | **10,877.5** | **3.4%** |
| Total number of ordinary stapled securities (million) | 1,915.6 | 1,947.9 | (1.7%) |
| **NTA ($ per security)[4]** | **5.86** | **5.57** | **5.2%** |

### Balance sheet

- The Group independently valued 77.8 per cent of investment properties as at 30 June 2021. Valuations were conducted by valuers with appropriate experience and expertise. The independent valuations contained material valuation uncertainty clauses given the impacts of COVID-19 and reduced levels of transactional evidence. The valuations can be relied upon at the date of valuation however, a higher level of valuation uncertainty than normal is assumed.
- The independent valuations contain judgements relating to the ongoing impact of COVID-19 in addition to a number of assumptions, estimates and judgements on the future performance of each property including market rents, growth rates, occupancy, capital expenditure and investment metrics. Total portfolio assets increased by 4.4 percent in the half year to 30 June 2021 due to positive property valuation movements and net investment in acquisitions and developments.
- The Group's rolling 12 month Total Return was 10.2 per cent (June 2020: negative 0.1 per cent) as a result of an increase in NTA per stapled security of 29 cents to $5.86 for the six months to 30 June.
- Total borrowings increased by $88.4 million, in addition to a reduction in cash of $300.3 million, to fund acquisitions, developments and the security buy-back; offset by $47.8 million of non-cash movements including fair value adjustments to the carrying value of foreign currency borrowings.

### Capital management

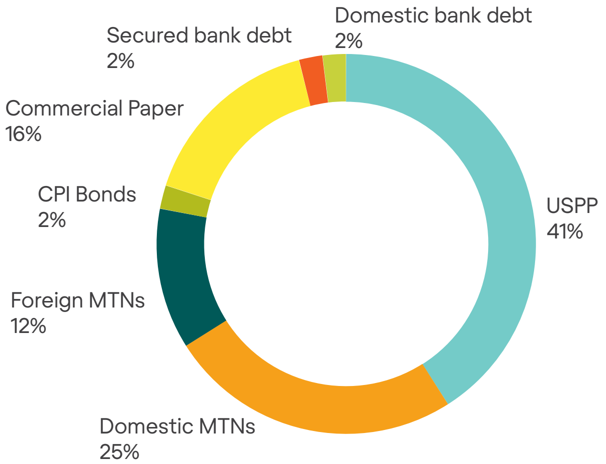
GPT continues to maintain a strong focus on capital management.

Key matters for the period include:

- Net gearing[5] increased to 24.5 per cent (31 December 2020: 23.2 per cent). This was a result of development capital expenditure, the security buy-back and acquisitions, offset by an increase in asset valuations during the period.
- Weighted average cost of debt for the half year was 2.7 per cent, down from 3.1 per cent at 31 December 2020.
- Mark to market movements on derivatives and borrowings has increased net tangible assets by $11.6 million.

| | 30 Jun 21 | 31 Dec 20 | Change |
|---|---|---|---|
| Cost of debt | 2.7% | 3.1% | Down 40bps |
| Net gearing | 24.5% | 23.2% | Up 130bps |
| Weighted average debt maturity | 7.4 years | 7.8 years | Down 0.4 years |
| Interest rate hedging | 73% | 88% | Down 15% |
| S&P/Moody's credit rating | A stable /A2 stable | A stable /A2 stable | Unchanged |

### Sources of funds




[3] The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

[4] Includes all right-of-use assets of GPT Group.

[5] Calculated net of cash and the cross currency derivative positions hedging the foreign bonds, lease liabilities in relation to investment properties and excludes the right-of-use assets in relation to leases.

## Going concern

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

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

## Cash flows

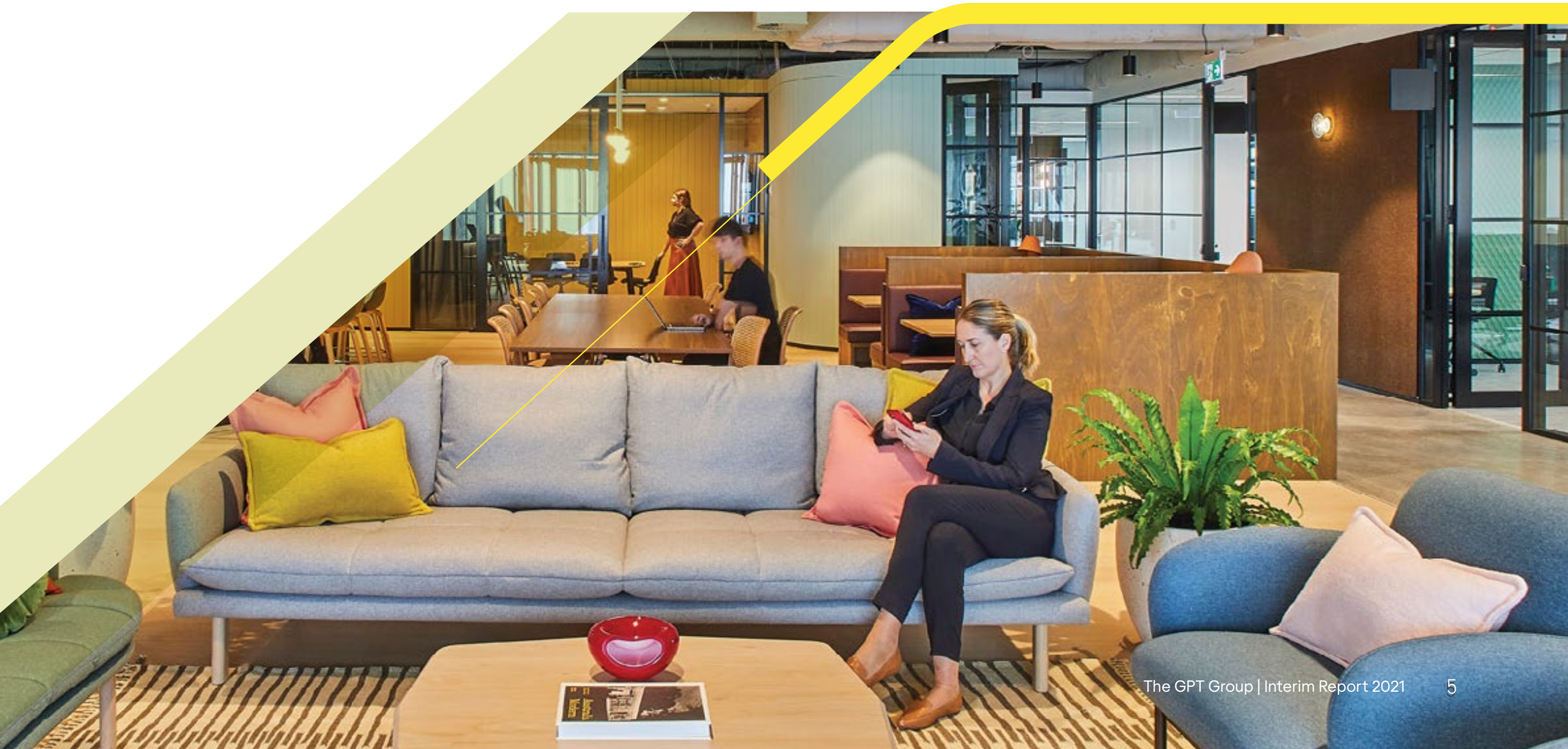
The cash balance as at 30 June 2021 decreased to $72.2 million (31 Dec 2020: $372.5 million). The following table shows the reconciliation from FFO to the cash flow from operating activities and free cash flow:

| For the half year ended | 30 Jun 21 $M | 30 Jun 20 $M | Change |
|---|---|---|---|
| **FFO** | **302.3** | **244.5** | 23.6% |
| Less: non-cash items included in FFO | (16.6) | (15.6) | 6.4% |
| Add/(less): net movement in inventory | 7.3 | (4.5) | 262.2% |
| Movements in working capital and reserves | (4.0) | (20.3) | (80.3%) |
| **Net cash inflows from operating activities**[6] | **289.0** | **204.1** | 41.6% |
| (Less)/add: net movement in inventory | (7.3) | 4.5 | (262.2%) |
| Less: maintenance capex and lease incentives (excluding rent free) | (26.6) | (26.6) | – |
| **Free cash flow** | **255.1** | **182.0** | 40.2% |

The increase in free cash flow is a result of higher collection of trade receivables in the current period and the impact that COVID-19 had on prior period income and operating cash flows.

The Non-IFRS information included above has not been audited in accordance with Australian Auditing Standards, but has been derived from note 1 and note 9 of the accompanying financial statements.

[6] 30 June 2020 excludes restatement in relation to the implementation of an IFRIC agenda decision.



# Office

$5.8b

Office portfolio value[7]
(31 December 2020: $5.6b)

88.9%

Office portfolio occupancy
(31 December 2020: 94.9%)

5.0 years

Office portfolio Weighted Average Lease Expiry
(31 December 2020: 5.1 years)

4.87%

Office portfolio Weighted Average Capitalisation Rate
(31 December 2020: 4.89%)

$3.5b+

Estimated end value of Office development pipeline[8]

## Performance

### Operations net income

The Office portfolio achieved a net revaluation uplift of $121.2 million (2.2 per cent) in the first half of 2021, including GPT's equity interest in the GPT Wholesale Office Fund (GWOF). The positive revaluation has been driven by the Group's recently completed 32 Smith development in Parramatta along with Australia Square in the Sydney CBD.

Office occupancy at June 2021 moderated to 92.0 per cent for stabilised assets and 88.9 per cent including development completions in the period at 32 Smith, Parramatta and Queen & Collins, Melbourne. The portfolio has a WALE of 5.0 years.

Operations net income for the period ending 30 June 2021 decreased 4.4 per cent, as a result of the divestment of Governor Phillip & Governor Macquarie Towers, Sydney along with lower occupancy during the period. Comparable income growth for the portfolio was 1.8 per cent.

Levels of office attendance remain below pre-COVID levels, with many of our tenants' employees working from home for part of their working week. Whilst hybrid work practices will be more broadly adopted, through surveys and conversations with our customers we expect the office will continue to play an important role for the majority of organisations.

To facilitate return to office plans for our customers, GPT is investing in "healthy building" initiatives including touch-free lift and building access, the delivery of improved air quality through upgrades of air filtration and the installation of ultraviolet air treatment units in air conditioning handling plant.

Across our assets we are providing a range of space offerings to augment traditional leased space. This includes the construction of fitted and furnished office suites that provide a "ready to move in" solution; the creation of additional collaboration and meeting spaces; and the expansion of our flexible workspace offering Space&Co.

Management has engaged with qualifying tenants to provide rent relief, predominantly for retail tenants in Victoria and New South Wales, and has reduced net income by $0.5 million for processed and expected rent waivers and an estimate of loss for uncollected rent for the first half of 2021. Across ~570 tenants in the managed portfolio, 73 rent relief arrangements have been agreed for the 1H 2021 period. Collection rates for the 1H 2021 were high, and we continue to engage closely with impacted customers.

### Development net income

Development net income increased to $1.2 million as a result of higher fees from increased development activity in the portfolio.

Two developments were completed in the period, with 32 Smith in Parramatta reaching practical completion in January 2021. The 27,000sqm tower has achieved a 6 Star Green Star - Design rating with an As-built rating targeted. Office space is currently 75 per cent committed including heads of agreement.[9]

In Melbourne, GWOF's Queen & Collins redevelopment reached practical completion in June 2021. The 34-level landmark tower and adjacent heritage buildings provide 34,000sqm of high quality office space, complemented by a ground floor retail offering. Leasing is progressing, with office space currently 41 per cent committed including heads of agreement.[9]

[7] Includes GPT's interest in the GPT Wholesale Office Fund.
[8] Includes GPT direct and Fund opportunities.
[9] Inclusive of post balance date leasing activity.

# Logistics

## Performance

### Operations net income

The Logistics portfolio achieved a net revaluation uplift of $314.7 million (10.6 per cent) in the first half of 2021, with uplift attributed to continued strength in investor demand for high quality logistics assets driving further firming of investment metrics.

Operations net income growth for the period ending 30 June 2021 was 13.6 per cent, as a result of development completions and asset acquisitions. Comparable income growth for the portfolio was 1.6 per cent. Logistics occupancy moderated to 96.8 per cent as a result of lease expiries at Austrak Business Park, Somerton during the period. The portfolio has a weighted average lease expiry of 6.6 years.

The Group continued to execute its Logistics growth strategy, with the portfolio now totalling $3.4 billion.

Two Melbourne fund-through acquisitions totalling approximately $270 million have exchanged in the period, with both to be held within the GPT QuadReal Logistics Trust. In addition, the development pipeline has increased through the exchange of two land parcels for approximately $34 million, including 3.9 hectares of future development land adjacent to the Group's existing land holding at Kemps Creek in Western Sydney. A 3.2 hectare land parcel has also been secured at Coulson Street, Wacol in Queensland within the GPT QuadReal Logistics Trust.

Three assets at Sydney Olympic Park were divested, being subject to compulsory acquisition by the New South Wales Government for the Sydney Metro project. Compensation settlement is expected to be received in the second half of 2021.

There have been minimal COVID-19 impacts for the Logistics portfolio in the first half of 2021.

### Development net income

Development net income has increased to $2.0 million as a result of development profit being realised from the sale of Metroplex lots.

During the period the Group delivered a 17,200sqm facility at Cox Place, Glendenning that has been leased for a 10 year term to Total Tyres. The asset has been independently valued at $51.2 million at 30 June 2021.

A further four projects are to be completed in the second half of 2021. In Brisbane, a 16,300sqm speculative facility reached completion in July 2021 at the Group's Berrinba estate and a 17,100sqm speculative facility held within the GPT QuadReal Logistics Trust is also under construction at Metroplex Place in Wacol. In Melbourne two facilities are underway at the Gateway Logistics Hub in Truganina, with the 29,800sqm facility pre-leased to The Hut Group. Including post-balance date heads of agreement, leasing is 80 per cent progressed for second half development completions.

The development pipeline, inclusive of projects underway, is expected to have an end value on completion of approximately $1.4 billion.[10]

**$3.4b**
Logistics portfolio value
(31 December 2020: $3.0b)

**96.8%**
Logistics portfolio occupancy
(31 December 2020: 99.8%)

**6.6 years**
Logistics portfolio Weighted Average Lease Expiry
(31 December 2020: 6.7 years)

**4.38%**
Logistics portfolio Weighted Average Capitalisation Rate
(31 December 2020: 4.84%)

**$1.4b**
Estimated end value of Logistics development pipeline[10]

[10] Includes GPT direct and GPT QuadReal Logistics Trust opportunities.

# Retail

$5.6b
Retail portfolio value[11]
(31 December 2020: $5.5 billion)

98.9%
Retail portfolio occupancy
(31 December 2020: 98.0%)

3.7 years
Retail portfolio Weighted Average Lease Expiry
(31 December 2020: 3.6 years)

5.05%
Retail portfolio Weighted Average Capitalisation Rate
(31 December 2020: 5.06%)

## Performance

### Operations net income

All assets in the Retail portfolio were independently valued over the six months to 30 June 2021, resulting in a positive revaluation of $35.8 million (0.6 per cent), including GPT's equity interest in the GPT Wholesale Shopping Centre Fund (GWSCF). Given the absence of any recent comparable market transactions, core valuation metrics remain relatively unchanged across the portfolio from the prior reporting period. The valuers still remain focused on market rents and growth rates and in some instances continue to adopt stabilisation allowances although they have reduced since the December 2020 valuations.

Operations net income was $141.0 million, reflecting an increase of 88.8 per cent, given the comparison to a COVID-19 impacted six month period in 2020. This result was due to strong cash collections at 104 per cent, a reduction in COVID-19 allowances offset by a normalisation of operating expenses.

Management engaged with qualifying tenants as the Commercial Tenancy Relief Scheme in Victoria was extended to 31 March. For the half, this has resulted in a reduction in income of $11.3 million for processed and expected rent waivers and an estimate of loss for uncollected rent.[12] The asset that has been most impacted by rent relief waivers was Melbourne Central.

Portfolio occupancy as at 30 June 2021 was 98.9 per cent (31 December 2020: 98.0 per cent).

Portfolio sales have showed a strong recovery, following COVID-19 restrictions easing at the beginning of the period. Excluding Melbourne Central and travel agents, Centre sales were up 5 per cent, and Total Specialities sales were up 6.5 per cent for the six months to 30 June 2021, compared to the same period in 2019. NSW assets were particularly strong, with Centre sales excluding travel agents up 5.9 per cent.

Whilst the Victorian assets rebounded strongly this half, they were impacted by further government lockdowns and ongoing restrictions at the end of the half. The performance of Melbourne Central continues to improve, however, given the asset's location in the Melbourne CBD, it is heavily reliant on foot traffic from office workers, students and tourists, resulting in a slower recovery compared to the rest of the portfolio.

### Development net income

Development net income was -$0.2 million, reflecting reduced development activity. In addition, the previous six month period recognised profits from the sale of a super lot of land at Rouse Hill.

[11] Includes GPT's equity interest in the GPT Wholesale Shopping Centre Fund.
[12] Includes tenants where no relief is required.

# Funds Management

## Performance

| Portfolio | GWOF | GWSCF | GPT QuadReal Logistics Trust | Total |
|---|---|---|---|---|
| Assets under management | $9.3b | $3.9b | $0.3b | $13.5b |
| Number of assets | 19 | 7 | 3 | 29 |
| GPT Interest | 21.84% | 28.48% | 50.10% | |
| GPT Investment | $1,618.3m | $779.1m | $35.9m | $2,433.3m |
| One year equity IRR (post-fees) | 7.7% | 3.3% | N/A | |
| Income from Funds | $36.9m | $22.8m | $0.1m | $59.8m |
| Funds Management fee income | $21.8m | $8.6m | – | $30.4m |

### GPT Wholesale Office Fund (GWOF)

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

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

As at 30 June 2021, GWOF's net gearing was 16.5 per cent, in the lower half of GWOF's target gearing range of 10 to 30 per cent. GWOF has $788.8 million of available liquidity held in cash and undrawn bank facilities, with no debt maturing until May 2022. GWOF maintains an A- (Stable) credit rating from S&P.

### GPT Wholesale Shopping Centre Fund (GWSCF)

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

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

As at 30 June 2021, GWSCF's net gearing was 26.3 per cent and remains within the target gearing range of 10 to 30 per cent. GWSCF has $305.2 million of available liquidity held in cash and undrawn bank facilities, with no debt maturing until July 2023. GWSCF's credit rating with S&P is BBB+ (Stable).

### GPT QuadReal Logistics Trust

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

**$13.5b**
Assets under management
(31 December 2020: $12.9 billion)

**29**
Total assets
(31 December 2020: 26)

**$59.8m**
Total income from funds
(six months to 30 June 2020: $41.0 million)

**$30.4m**
GPT Funds Management fee income
(six months to 30 June 2020: $31.2 million)

# Prospects

## Group

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

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

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

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

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

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

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

## Office

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

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

## Logistics

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

Since 2017, the value of the Logistics portfolio has more than doubled to $3.4 billion. We have a high quality portfolio, with approximately half being developed by GPT, demonstrating our focus on product creation. The Group has a Logistics development pipeline with an estimated end value of approximately $1.4 billion which positions the Group to continue its growth in this sector.[13]

## Retail

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

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

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

[13] Includes GPT direct and GPT QuadReal Logistics Trust opportunities.

## Funds Management

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

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

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

## Guidance

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

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

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

# Risk Management

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

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

## Risk Management Framework


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

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

### Adapting to COVID-19

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

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

#### Health and Safety

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

#### Governance

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

# Key risks

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

KEY ⊕ Risk increased ⊖ No change in risk ⊕ Risk decreased

| Risks | Our Response | Change in Risk for 6 months to June 2021 | Value Creation Input Affected |
|---|---|---|---|
| **Portfolio Operating and Financial Performance**<br>Our portfolio operating and financial performance is influenced by internal and external factors including our investment decisions, market conditions, interest rates, economic factors and potential disruption. | » A portfolio diversified by sector and geography<br>» Structured review of market conditions twice a year, including briefings from economists<br>» Scenario modelling and stress testing of assumptions to inform decisions<br>» A disciplined investment and divestment approval process, including extensive due diligence requirements<br>» A development pipeline to enhance asset returns and maintain asset quality<br>» Active management of our assets, including leasing, to ensure a large and diversified tenant base with limited single tenant exposure<br>» Experienced and capable management, supplemented with external capabilities where appropriate<br>» A structured program of investor engagement | No change in risk<br>Financial pressure on retail and office tenants and ongoing disruption as a result of COVID-19 continues to present some risk to GPT's financial performance. | Our investors<br>Real estate<br>Our people<br>Environment<br>Our customers, suppliers and communities |
| **Development**<br>Development provides the Group with access to new, high quality assets.<br>Delivering assets that exceed our risk adjusted return requirements and meet our sustainability objectives is critical to our success. | » A disciplined acquisition and development approval process, including extensive due diligence requirements<br>» Oversight of developments through regular cross-functional Project Control Group meetings<br>» Scenario modelling and stress testing of assumptions to inform decisions<br>» Experienced management capability<br>» Limits on the proportion of the portfolio under development at any time<br>» Limits on individual contractor exposure<br>» Appropriate minimum leasing pre-commitments to be achieved prior to construction commencement | No change in risk<br>GPT's development pipeline remains strong despite the deferral of some retail and office projects in 2020 due to the impacts of COVID-19.<br>Development activity in the Logistics portfolio has increased during the period. | Our investors<br>Real estate<br>Our people<br>Environment<br>Our customers, suppliers and communities |
| **Capital Management**<br>Effective capital management is imperative to meet the Group's ongoing funding requirements and to withstand market volatility. | » Target gearing range of 25 to 35 per cent consistent with stable investment grade credit ratings in the "A" range<br>» Maintenance of a minimum liquidity buffer in cash and surplus committed credit facilities<br>» Diversified funding sources<br>» Maintenance of a long weighted average debt term, with limits on the maximum amount of debt expiring in any 12 month period<br>» Hedging of interest rates to keep exposure within prescribed limits<br>» Limits on currency exposure<br>» Limits on exposure to counterparties | Risk decreased<br>Prudent gearing has been maintained and significant liquidity is in place. | Our investors |

# Key risks (continued)

| Risks | Our Response | Change in Risk for 6 months to June 2021 | Value Creation Input Affected |
|---|---|---|---|
| **Health and Safety**<br>GPT is committed to promoting and protecting the health, safety and wellbeing of its people, customers, contractors and all users of our assets. | » A culture of safety first and integration of safety risk management across the business<br>» Comprehensive health and safety management systems<br>» Training and education of employees and induction of contractors<br>» Engagement of specialist safety consultants to assist in identifying risks and appropriate mitigation actions<br>» Prompt and thorough investigation of all safety incidents to ascertain root causes and prevent future occurrences<br>» Participation in knowledge sharing within the industry<br>» Comprehensive Crisis Management and Business Continuity Plans, tested annually | COVID-19 continues to present a risk to the health, safety and wellbeing of our employees, customers, contractors and users of our assets. | Real estate<br>Our people<br>Our customers, suppliers and communities |
| **People and Culture**<br>Our ongoing success depends on our ability to attract, engage and retain a motivated and high-performing workforce to deliver our strategic objectives and an inclusive culture that supports GPT's core values. | » Active adoption and promotion of GPT's values<br>» A comprehensive employee Code of Conduct, including consequences for non-compliance<br>» Employee Engagement Surveys every 18 to 24 months with action plans to address results<br>» An annual performance management process, setting objectives and accountability<br>» Promotion of an inclusive workplace culture where differences are valued, supported by policies and training<br>» Monitoring of both risk culture and conduct risk<br>» An incentive system with capacity for discretionary adjustments and clawback policy<br>» Benchmarking and setting competitive remuneration<br>» Development and succession planning<br>» Workforce planning | GPT is adapting well to changing working patterns triggered by COVID-19. | Our investors<br>Our people |
| **Environmental and Social Sustainability**<br>Delivering sustainable outcomes for investors, customers, communities and the environment, today and for future generations, is essential. GPT understands and recognises that changes to the environment can affect our assets and business operations. | » A portfolio of climate resilient assets that we own, develop and maintain through asset-level investment, divestment and capital expenditure strategies<br>» A world-class Environment and Sustainability Management System, including policies and procedures for managing environmental and social sustainability risks<br>» Participation in the Dow Jones Sustainability Index, Global Real Estate Sustainability Benchmark and other industry benchmarks<br>» Climate related risks and potential financial impacts are assessed within GPT's enterprise-wide Risk Management Framework<br>» Climate change reporting in line with the recommendations of the Task Force on Climate-related Financial Disclosures<br>» Active community engagement via The GPT Foundation, GPT's Reconciliation Action Plan and other targeted programs<br>» A Modern Slavery Statement and program of work in response to Modern Slavery legislation | COVID-19 continues to disrupt our supply chains which may increase the vulnerability of workers in those supply chains. | Our investors<br>Real estate<br>Our people<br>Environment<br>Our customers, suppliers and communities |

| Risks | Our Response | Change in Risk for 6 months to June 2021 | Value Creation Input Affected |
|---|---|---|---|
| **Technology and Cyber Security**<br>Our ability to prevent critical outages, ensure ongoing available system access and respond to major cyber security threats and breaches of our information technology systems is vital to ensure ongoing business continuity and the safety of people and assets. | » A comprehensive technology risk management framework including third party risk management procedures around cyber security<br>» Information Management policy, guidelines and standards<br>» Privacy policy, guidelines and procedures<br>» Compulsory cyber security awareness training twice a year<br>» Annual security testing completed by a specialist external security firm, including penetration testing, phishing exercises and social engineering testing<br>» A comprehensive Cyber Security Incident Response Plan<br>» A Disaster Recovery Plan including annual disaster recovery testing<br>» Technology solutions in place to monitor GPT platforms and provide alerts to anomalous behaviour<br>» Regular updates to technology hardware and software incorporating recommended security patches<br>» External specialist security operations monitoring<br>» Annual cyber risk assessments<br>» An Information Security Risk and Compliance Committee overseeing information security<br>» Alignment to the National Institute of Standards and Technology (NIST) Cyber Security Framework | ↑<br>Increased and sustained remote working during the pandemic has increased the risk of cyber-attacks. | Real estate<br>Our people<br>Our customers, suppliers and communities |
| **Compliance and Regulation**<br>We ensure compliance with all applicable regulatory requirements through our established policies and frameworks. | » An experienced management team with Legal, Tax, Finance, Compliance and Risk Management expertise<br>» Engagement of external expert advisors as required<br>» An internal and external audit program overseen by the Audit Committee of the Board<br>» Active management of the Group's Compliance Plans, in accordance with the requirements of the Corporations Law<br>» Internal committees such as a Continuous Disclosure Committee, a Data Privacy Committee and a Cyber Security Governance Committee to monitor key compliance risks<br>» An Anti-money Laundering and Counter-terrorism Financing Policy, a Conflicts Management Policy, a Whistleblower Policy, a Code of Conduct and other internal policies and procedures which are reviewed and enforced<br>» An ongoing program of training which addresses all key compliance requirements<br>» Active involvement in the Property Council of Australia and other industry bodies | – | Our investors<br>Real estate<br>Our people<br>Environment<br>Our customers, suppliers and communities |

# Climate-related risks

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

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

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

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

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

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

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

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

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

# Directors' Report

The Directors of GPT RE Limited, the Responsible Entity of General Property Trust, present their report together with the financial statements of the General Property Trust (the Trust) and its controlled entities (the trust consolidated entity) for the half year ended 30 June 2021. The trust consolidated entity together with GPT Management Holdings Limited and its controlled entities form the stapled entity, The GPT Group (GPT or The Group).

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

The Directors' Report for the half year ended 30 June 2021 has been prepared in accordance with the requirements of the Corporations Act 2001 and includes the following information:

» Operating and Financial Review, including a review of the Group's operations and financial position, on pages 1 to 16

» Information on the Directors on page 19, and

» Auditor's Independence Declaration on page 20.

## Events subsequent to reporting date

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

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

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

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

Immediately prior to 30 June 2021, management consulted with the independent valuers to understand if any assumptions within their valuations required revisiting given the continued impact of the pandemic. All valuers confirmed that their valuations were appropriate as at 30 June 2021, noting that the valuations include stabilisation allowances and adjustments to market rents, downtime and incentives. On 27 July 2021, the Valuation Committee undertook a further review of the Group's valuations with internal tolerance checks undertaken on each asset assessing the potential impact of various scenarios. Directors are of the opinion that allowances already made within the valuations are sufficient and the impact on valuations of any additional allowances that may be required as a result of the impact of trading restrictions (considered under a number of scenarios) are within the normal tolerance set out within the valuation policy. Therefore, there have been no changes to the valuations subsequent to the valuation date.

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

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

On 16 August 2021, the Directors declared a distribution for the half year ended 30 June 2021 of 13.3 cents, being $254.8 million which is expected to be paid on 31 August 2021.

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

## Directors

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

### Chairman, Non-Executive Director

**Vickki McFadden** (joined the Board in March 2018, appointed Chairman in May 2018)

### Chief Executive Officer and Managing Director

**Bob Johnston** (joined the Board in September 2015)

### Non-Executive Directors

**Tracey Horton AO** (joined the Board in May 2019)

**Angus McNaughton** (joined the Board in November 2018)

**Mark Menhinnitt** (joined the Board in October 2019)

**Michelle Somerville** (joined the Board in December 2015)

**Robert Whitfield AM** (joined the Board in May 2020)

## 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 20 and forms part of the Directors' Report.

## Rounding of amounts

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

The Directors' Report is signed in accordance with a resolution of the Directors of the GPT Group.

**Vickki McFadden**
Chairman

**Bob Johnston**
Chief Executive Officer
and Managing Director

Sydney
16 August 2021

# Auditor's Independence Declaration

## *Auditor's Independence Declaration*

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

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

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

This declaration is in respect of General Property Trust and the entities it controlled during the period.

S. Horl

Susan Horlin
Partner
PricewaterhouseCoopers

Sydney
16 August 2021

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# Financial Statements

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# Consolidated Statement of Comprehensive Income

Half year ended 30 June 2021

| | Note | 30 Jun 21 $M | 30 Jun 20 Restated [1] $M |
|---|---|---|---|
| **Revenue** | | | |
| Rent from investment properties | 10 | 331.4 | 316.2 |
| Property and fund management fees | | 39.5 | 41.7 |
| Development revenue | | 11.7 | 0.7 |
| Development management fees | | 3.9 | 3.0 |
| | | 386.5 | 361.6 |
| **Fair value adjustments and other income** | | | |
| Fair value gain on investment properties | | 445.8 | – |
| Share of after tax profit of equity accounted investments | | 145.7 | – |
| Interest revenue | | 0.2 | 0.9 |
| Gain on financial liability at amortised cost | | 1.2 | 1.1 |
| Net gain/(loss) from foreign currency borrowings and associated hedging | | 9.7 | (9.9) |
| | | 602.6 | (7.9) |
| **Total revenue, fair value adjustments and other income** | | 989.1 | 353.7 |
| **Expenses** | | | |
| Fair value loss on investment properties | | – | 411.6 |
| Share of after tax loss of equity accounted investments | | – | 188.6 |
| Property expenses and outgoings | | 96.4 | 79.4 |
| Management and other administration costs | | 36.0 | 30.1 |
| Development costs | | 9.8 | 0.7 |
| Depreciation expense | | 1.2 | 2.7 |
| Amortisation and impairment of software | | 1.1 | 1.6 |
| Other impairment expense | | 14.3 | 0.1 |
| Impairment loss on trade and other receivables | | 10.0 | 59.8 |
| Finance costs | | 45.4 | 50.9 |
| Net loss on fair value movements of derivatives | | 10.3 | 42.7 |
| Net foreign exchange loss | | 0.1 | – |
| **Total expenses** | | 224.6 | 868.2 |
| **Profit/(loss) before income tax expense** | | 764.5 | (514.5) |
| Income tax expense | | 4.0 | 5.9 |
| **Net profit/(loss) for the half year** | | 760.5 | (520.4) |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss, net of tax* | | | |
| Movement in hedging reserve | | 8.4 | (4.1) |
| Movement in fair value of cash flow hedges | | 2.7 | 1.3 |
| **Total other comprehensive income** | | 11.1 | (2.8) |
| **Total comprehensive income/(loss) for the half year** | | 771.6 | (523.2) |
| **Net profit/(loss) attributable to:** | | | |
| » Securityholders of the Trust | | 751.2 | (540.6) |
| » Securityholders of other entities stapled to the Trust | | 9.3 | 20.2 |
| **Total comprehensive income/(loss) attributable to:** | | | |
| » Securityholders of the Trust | | 762.3 | (543.4) |
| » Securityholders of other entities stapled to the Trust | | 9.3 | 20.2 |
| **Basic earnings per unit attributable to ordinary securityholders of the Trust** | | | |
| Earnings per unit (cents per unit) – profit/(loss) from continuing operations | 5(a) | 38.9 | (27.8) |
| **Basic earnings per stapled security attributable to ordinary stapled securityholders of the GPT Group** | | | |
| Earnings per stapled security (cents per stapled security) – profit/(loss) from continuing operations | 5(b) | 39.3 | (26.7) |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

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

# Consolidated Statement of Financial Position

At 30 June 2021

| | Note | 30 Jun 21 $M | 31 Dec 20 Restated[1] $M |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 72.2 | 372.5 |
| Trade receivables | | 57.3 | 62.7 |
| Other receivables | | 138.0 | 30.7 |
| Inventories | | 20.7 | 53.6 |
| Derivative assets | | 15.0 | 19.2 |
| Prepayments | | 12.1 | 11.1 |
| Other assets | | 1.8 | 41.6 |
| | | 317.1 | 591.4 |
| Assets classified as held for sale – investment properties | 2(a)(v) | – | 108.5 |
| **Total current assets** | | 317.1 | 699.9 |
| **Non-current assets** | | | |
| Investment properties | 2(a) | 10,964.1 | 10,323.6 |
| Equity accounted investments | 3 | 3,834.0 | 3,723.8 |
| Intangible assets | | 24.6 | 24.8 |
| Inventories | | 68.1 | 41.9 |
| Property, plant and equipment | | 9.8 | 10.6 |
| Derivative assets | | 415.0 | 461.1 |
| Right-of-use assets | | 36.2 | 40.6 |
| Deferred tax assets | | 18.3 | 14.6 |
| Other assets | | 7.1 | 6.0 |
| **Total non-current assets** | | 15,377.2 | 14,647.0 |
| **Total assets** | | 15,694.3 | 15,346.9 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables | | 135.2 | 180.5 |
| Borrowings | 7 | 589.4 | 519.0 |
| Derivative liabilities | | 8.6 | 4.0 |
| Lease liabilities – other property leases | | 8.8 | 7.5 |
| Provisions | | 27.5 | 29.7 |
| Current tax liabilities | | 7.3 | 2.0 |
| **Total current liabilities** | | 776.8 | 742.7 |
| **Non-current liabilities** | | | |
| Borrowings | 7 | 3,538.6 | 3,568.4 |
| Derivative liabilities | | 88.6 | 109.6 |
| Lease liabilities – investment properties | 2(a) | 7.7 | 7.8 |
| Lease liabilities – other property leases | | 34.8 | 39.8 |
| Provisions | | 1.1 | 1.1 |
| **Total non-current liabilities** | | 3,670.8 | 3,726.7 |
| **Total liabilities** | | 4,447.6 | 4,469.4 |
| **Net assets** | | 11,246.7 | 10,877.5 |
| **Equity** | | | |
| **Securityholders of the Trust (parent entity)** | | | |
| Contributed equity | 4 | 8,526.5 | 8,673.2 |
| Reserves | | (36.5) | (47.6) |
| Retained earnings | | 3,195.0 | 2,700.9 |
| Total equity of the Trust securityholders | | 11,685.0 | 11,326.5 |
| **Securityholders of other entities stapled to the Trust** | | | |
| Contributed equity | 4 | 331.9 | 332.0 |
| Reserves | | 21.1 | 19.6 |
| Accumulated losses | | (791.3) | (800.6) |
| **Total equity of other stapled securityholders** | | (438.3) | (449.0) |
| **Total equity** | | 11,246.7 | 10,877.5 |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

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

# Consolidated Statement of Changes in Equity

Half year ended 30 June 2021

| | Note | General Property Trust | | | | Other entities stapled to the General Property Trust | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Contributed equity $M | Reserves $M | Retained earnings $M | Total $M | Contributed equity $M | Reserves $M | Accumulated losses $M | Total $M | Total equity $M |
| **Equity attributable to Securityholders** | | | | | | | | | | |
| **At 31 December 2019** | | 8,673.2 | (23.5) | 3,123.5 | 11,773.2 | 332.0 | 37.3 | (815.9) | (446.6) | 11,326.6 |
| Change in acounting policy[1] | | – | – | – | – | – | – | (11.6) | (11.6) | (11.6) |
| **At 1 January 2020** | | 8,673.2 | (23.5) | 3,123.5 | 11,773.2 | 332.0 | 37.3 | (827.5) | (458.2) | 11,315.0 |
| Movement in hedging reserve | | – | (4.1) | – | (4.1) | – | – | – | – | (4.1) |
| Movement in fair value of cash flow hedges | | – | 1.3 | – | 1.3 | – | – | – | – | 1.3 |
| **Other comprehensive income for the half year** | | – | (2.8) | – | (2.8) | – | – | – | – | (2.8) |
| (Loss)/profit for the half year | | – | – | (540.6) | (540.6) | – | – | 20.2 | 20.2 | (520.4) |
| **Total comprehensive (loss)/income for the half year** | | – | (2.8) | (540.6) | (543.4) | – | – | 20.2 | 20.2 | (523.2) |
| **Transactions with Securityholders in their capacity as Securityholders** | | | | | | | | | | |
| Movement in employee incentive scheme reserve net of tax | | – | – | – | – | – | (15.3) | – | (15.3) | (15.3) |
| Purchase of treasury securities for employees | | – | – | – | – | – | (4.1) | – | (4.1) | (4.1) |
| **At 30 June 2020** | | 8,673.2 | (26.3) | 2,582.9 | 11,229.8 | 332.0 | 17.9 | (807.3) | (457.4) | 10,772.4 |
| **Equity attributable to Securityholders** | | | | | | | | | | |
| **At 1 January 2021** | | **8,673.2** | **(47.6)** | **2,700.9** | **11,326.5** | **332.0** | **19.6** | **(800.6)** | **(449.0)** | **10,877.5** |
| Movement in hedging reserve | | – | 8.4 | – | 8.4 | – | – | – | – | 8.4 |
| Movement in fair value of cash flow hedges | | – | 2.7 | – | 2.7 | – | – | – | – | 2.7 |
| **Other comprehensive income for the half year** | | – | 11.1 | – | 11.1 | – | – | – | – | 11.1 |
| Profit for the half year | | – | – | 751.2 | 751.2 | – | – | 9.3 | 9.3 | 760.5 |
| **Total comprehensive profit for the half year** | | – | 11.1 | 751.2 | 762.3 | – | – | 9.3 | 9.3 | 771.6 |
| **Transactions with Securityholders in their capacity as Securityholders** | | | | | | | | | | |
| On-market securities buy-back | 4 | (146.7) | – | – | (146.7) | (0.1) | – | – | (0.1) | (146.8) |
| Movement in employee incentive scheme reserve net of tax | | – | – | – | – | – | 1.5 | – | 1.5 | 1.5 |
| Distributions paid and payable | 6 | – | – | (257.1) | (257.1) | – | – | – | – | (257.1) |
| **At 30 June 2021** | | **8,526.5** | **(36.5)** | **3,195.0** | **11,685.0** | **331.9** | **21.1** | **(791.3)** | **(438.3)** | **11,246.7** |

1. Refer to Note 12.

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

# Consolidated Statement of Cash Flows

Half year ended 30 June 2021

| | Note | 30 Jun 21 $M | 30 Jun 20 Restated [1] $M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Receipts in the course of operations (inclusive of GST) | | 410.1 | 324.9 |
| Payments in the course of operations (inclusive of GST) | | (153.7) | (145.4) |
| Proceeds from sale of inventories | | 11.7 | 0.7 |
| Payments for inventories | | (2.5) | (5.0) |
| Distributions received from equity accounted investments | | 73.0 | 77.5 |
| Interest received | | 0.1 | 1.0 |
| Income taxes paid | | (2.5) | (2.3) |
| Finance costs paid | | (47.2) | (51.1) |
| **Net cash inflows from operating activities** | 9 | 289.0 | 200.3 |
| **Cash flows from investing activities** | | | |
| Payments for acquisition of investment properties | | (127.9) | (78.8) |
| Payments for operating capital expenditure on investment properties | | (22.6) | (31.9) |
| Payments for development capital expenditure on investment properties | | (80.2) | (137.5) |
| Proceeds from disposal of investment properties (net of transaction costs) | | 5.5 | – |
| Payments for property, plant and equipment | | (0.6) | (2.3) |
| Payments for intangibles | | (1.1) | (6.6) |
| Investment in equity accounted investments | | (41.8) | (5.8) |
| **Net cash outflows from investing activities** | | (268.7) | (262.9) |
| **Cash flows from financing activities** | | | |
| Payment for on-market buy-back of securities | | (146.8) | – |
| Proceeds from borrowings | | 91.7 | 1,276.9 |
| Repayment of borrowings | | (4.7) | (986.7) |
| Repayment of principal elements of lease payments | | (3.7) | (3.3) |
| Distributions paid to securityholders | | (257.1) | (260.4) |
| **Net cash (outflows)/inflows from financing activities** | | (320.6) | 26.5 |
| Net decrease in cash and cash equivalents | | (300.3) | (36.1) |
| Cash and cash equivalents at the beginning of the half year | | 372.5 | 104.2 |
| **Cash and cash equivalents at the end of the half year** | | 72.2 | 68.1 |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

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

# Notes to the Financial Statements

Half year ended 30 June 2021

These are the consolidated financial statements of the consolidated entity, GPT Group (GPT or the Group), which consists of General Property Trust (the Trust), GPT Management Holdings Limited (the Company) and their controlled entities.

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

The notes to the financial statements are organised into the following sections:

Note 1 – Result for the half year: focuses on results and performance of GPT.

Notes 2 to 3 – Operating assets and liabilities: provides information on the assets and liabilities used to generate GPT's trading performance.

Notes 4 to 8 – Capital structure: outlines how GPT manages its capital structure and various financial risks.

Notes 9 to 14 – Other disclosure items: provides information on other items that must be disclosed to comply with Australian Accounting Standards and other regulatory pronouncements.

### Key judgements and estimates

In applying GPT's accounting policies, management have made a number of judgements, estimates and assumptions regarding future events.

The ongoing COVID-19 pandemic has created heightened levels of economic uncertainty, resulting in management's judgements and estimates having a greater impact on the result for the period than normal.

GPT has assessed key judgements and estimates in light of COVID-19 and adjusted underlying assumptions accordingly.

Management has made key assumptions relating to the levels of debt forgiveness (rent waivers) to be provided to tenants (including both eligible SME tenants as defined by the commercial tenancy Code of Conduct, and other impacted tenants). While the majority of leasing deals under the Code of Conduct have now been finalised, some deals still remain unresolved. Therefore, management has used their judgement to determine estimated amounts of rent waivers for the half year to 30 June 2021. These are reflected as a write-off of trade receivables. For remaining uncollected trade receivables at 30 June 2021, management has assessed that there is an increased level of risk associated with the collection of these balances due to the financial impacts of the pandemic on tenants. Management has therefore made judgements in relation to the likelihood of collecting these amounts, which are reflected in the estimated credit loss allowance for trade receivables. See note 13(c).

The social distancing and mobility restrictions implemented in response to the COVID-19 pandemic have accelerated several existing trends impacting GPT's properties, such as online shopping and flexible working. Changes in shopping behaviours have resulted in an increase in demand for well-located logistics facilities to service increased on-line spending. This trend is also accelerating the transition to tenancies offering experience based services in our retail assets. The increased adoption of flexible working has impacted traffic at our office properties and has increased the focus on the provision of flexible work spaces within these properties. The extent and pace of the adoption of these trends in the future have the potential to impact future investment property income and prices, resulting in impacts to property valuations. Management have reviewed the investment property valuations for both accuracy and the reasonableness of assumptions used to determine fair value. See note 2(c) for information on GPT's valuation process, and note 2(d) for a sensitivity analysis showing indicative movements in investment property valuations should certain key metrics differ from those assumed in the valuations.

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

| Area of judgements and estimates | Assumptions underlying | Note |
|---|---|---|
| Lease liabilities | Lease term and incremental borrowing rate | 2, 13 |
| Investment properties * | Fair value | 2 |
| Equity accounted investments | Assessment of control versus significant influence | 3 |
| IT development and software | Impairment trigger and recoverable amounts | 13 |
| Inventories | Lower of cost and net realisable value | 13 |
| Security based payments | Fair value | 13 |
| Trade receivables * | Measurement of expected credit loss | 13 |
| Right-of-use assets * | Recoverable amount | 13 |

Items marked with * contain judgements and estimates which have been significantly impacted by COVID-19 in either the current or comparative periods.

## RESULT FOR THE HALF YEAR

### 1. Segment Information

GPT's operating segments are described in the table below. The chief operating decision makers monitor the performance of the business on the basis of Funds from Operations (FFO) for each segment. FFO represents GPT's underlying and recurring earnings from its operations, and is determined by adjusting the statutory net profit after tax for items which are non-cash, unrealised or capital in nature. FFO includes impairment losses related to uncollected trade receivables. FFO has been determined based on guidelines established by the Property Council of Australia.

| Segment | Types of products and services which generate the segment result |
|---|---|
| Retail | Ownership, development (including mixed use) and management of predominantly regional and sub-regional shopping centres as well as GPT's equity investment in GPT Wholesale Shopping Centre Fund. |
| Office | Ownership, development (including mixed use) and management of prime CBD office properties with some associated retail space as well as GPT's equity investment in GPT Wholesale Office Fund. |
| Logistics | Ownership, development (including mixed use) and management of logistics assets as well as GPT's equity investment in the GPT QuadReal Logistics Trust. |
| Funds Management | Management of two Australian wholesale property funds in the retail and office sectors, and the GPT QuadReal Logistics Trust in the logistics sector. |
| Corporate | Cash and other assets, borrowings and associated hedges as well as net finance costs, corporate management and administration expenses and income tax expense. |

#### a) Segment financial information

**30 June 2021**

The segment financial information provided to the chief operating decision makers for the half year ended 30 June 2021 is set out below:

| | Note | Retail $M | Office $M | Logistics $M | Funds Management $M | Corporate $M | Total $M |
|---|---|---|---|---|---|---|---|
| **Financial performance by segment** | | | | | | | |
| Rent from investment properties | b(ii) | 172.0 | 127.3 | 91.1 | – | – | 390.4 |
| Property expenses and outgoings | b(iii) | (57.9) | (29.8) | (16.9) | – | – | (104.6) |
| Income from Funds | b(iv) | 22.8 | 36.9 | 0.1 | – | – | 59.8 |
| Management net income | b(v) | 4.1 | (1.1) | (0.8) | 23.9 | (23.4) | 2.7 |
| **Operations Net Income** | | **141.0** | **133.3** | **73.5** | **23.9** | **(23.4)** | **348.3** |
| Development profit | b(vi) | – | – | 1.9 | – | – | 1.9 |
| Development management net income | b(vii) | (0.2) | 1.2 | 0.1 | – | – | 1.1 |
| **Development Net Income** | | **(0.2)** | **1.2** | **2.0** | **–** | **–** | **3.0** |
| Interest revenue | | – | – | – | – | 0.2 | 0.2 |
| Finance costs | b(viii) | – | – | – | – | (44.5) | (44.5) |
| **Net Finance Costs** | | **–** | **–** | **–** | **–** | **(44.3)** | **(44.3)** |
| **Segment Result Before Tax** | | **140.8** | **134.5** | **75.5** | **23.9** | **(67.7)** | **307.0** |
| Income tax expense | b(ix) | – | – | – | – | (4.7) | (4.7) |
| **Funds from Operations (FFO)** | b(i) | **140.8** | **134.5** | **75.5** | **23.9** | **(72.4)** | **302.3** |
| **Reconciliation of segment assets and liabilities to the Consolidated Statement of Financial Position** | | | | | | | |
| **Current Assets** | | | | | | | |
| Current assets | | 15.8 | – | 4.9 | – | 296.4 | 317.1 |
| **Total Current Assets** | | **15.8** | **–** | **4.9** | **–** | **296.4** | **317.1** |
| **Non-Current Assets** | | | | | | | |
| Investment properties | | 4,801.3 | 2,819.9 | 3,342.9 | – | – | 10,964.1 |
| Equity accounted investments | | 821.2 | 2,966.9 | 35.9 | – | 10.0 | 3,834.0 |
| Inventories | | 65.1 | – | 3.0 | – | – | 68.1 |
| Other non-current assets | | 10.2 | 16.9 | 7.2 | – | 476.7 | 511.0 |
| **Total Non-Current Assets** | | **5,697.8** | **5,803.7** | **3,389.0** | **–** | **486.7** | **15,377.2** |
| **Total Assets** | | **5,713.6** | **5,803.7** | **3,393.9** | **–** | **783.1** | **15,694.3** |
| Current and non-current liabilities | | 7.7 | 22.2 | – | – | 4,417.7 | 4,447.6 |
| **Total Liabilities** | | **7.7** | **22.2** | **–** | **–** | **4,417.7** | **4,447.6** |
| **Net Assets** | | **5,705.9** | **5,781.5** | **3,393.9** | **–** | **(3,634.6)** | **11,246.7** |

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 1. Segment Information (continued)

### a) Segment financial information (continued)

**30 June 2020[1]**

The segment financial information provided to the chief operating decision makers for the half year ended 30 June 2020 is set out below:

| | Note | Retail $M | Office $M | Logistics $M | Funds Management $M | Corporate $M | Total $M |
|---|---|---|---|---|---|---|---|
| **Financial performance by segment** | | | | | | | |
| Rent from investment properties | b(ii) | 116.2 | 137.5 | 80.4 | – | – | **334.1** |
| Property expenses and outgoings | b(iii) | (45.3) | (30.5) | (15.0) | – | – | **(90.8)** |
| Income from Funds | b(iv) | 6.3 | 34.7 | – | – | – | **41.0** |
| Management net income | b(v) | (2.5) | (2.3) | (0.7) | 24.2 | (7.6) | **11.1** |
| **Operations Net Income** | | **74.7** | **139.4** | **64.7** | **24.2** | **(7.6)** | **295.4** |
| Development profit | b(vi) | 4.6 | – | – | – | – | **4.6** |
| Development management net income | b(vii) | (0.1) | 0.5 | (0.3) | – | – | **0.1** |
| **Development Net Income** | | **4.5** | **0.5** | **(0.3)** | **–** | **–** | **4.7** |
| Interest income | | – | – | – | – | 0.9 | **0.9** |
| Finance costs | b(viii) | – | – | – | – | (50.0) | **(50.0)** |
| **Net Finance Costs** | | **–** | **–** | **–** | **–** | **(49.1)** | **(49.1)** |
| **Segment Result Before Tax** | | **79.2** | **139.9** | **64.4** | **24.2** | **(56.7)** | **251.0** |
| Income tax expense | b(ix) | – | – | – | – | (6.5) | **(6.5)** |
| **Funds from Operations (FFO)** | b(i) | **79.2** | **139.9** | **64.4** | **24.2** | **(63.2)** | **244.5** |
| **Reconciliation of segment assets and liabilities to the Consolidated Statement of Financial Position – as at 31 December 2020** | | | | | | | |
| **Current Assets** | | | | | | | |
| Current assets | | 46.9 | – | 122.0 | – | 531.0 | **699.9** |
| **Total Current Assets** | | **46.9** | **–** | **122.0** | **–** | **531.0** | **699.9** |
| **Non-Current Assets** | | | | | | | |
| Investment properties | | 4,753.9 | 2,691.8 | 2,877.9 | – | – | **10,323.6** |
| Equity accounted investments | | 803.3 | 2,910.5 | – | – | 10.0 | **3,723.8** |
| Inventories | | 37.1 | – | 4.8 | – | – | **41.9** |
| Other non-current assets | | 10.2 | 20.2 | 6.1 | – | 521.2 | **557.7** |
| **Total Non-Current Assets** | | **5,604.5** | **5,622.5** | **2,888.8** | **–** | **531.2** | **14,647.0** |
| **Total Assets** | | **5,651.4** | **5,622.5** | **3,010.8** | **–** | **1,062.2** | **15,346.9** |
| Current and non-current liabilities | | 7.8 | 23.9 | 31.9 | – | 4,405.8 | **4,469.4** |
| **Total Liabilities** | | **7.8** | **23.9** | **31.9** | **–** | **4,405.8** | **4,469.4** |
| **Net Assets** | | **5,643.6** | **5,598.6** | **2,978.9** | **–** | **(3,343.6)** | **10,877.5** |

1. Comparatives in this table have been restated to the current year presentation.

## 1. Segment Information (continued)

### b) Reconciliation of segment result to the Consolidated Statement of Comprehensive Income

| | 30 Jun 21 $M | 30 Jun 20 [1] $M |
|---|---|---|
| **i) FFO to net profit/(loss) for the half year** | | |
| **Segment result** | | |
| FFO | 302.3 | 244.5 |
| **Adjustments** | | |
| Fair value gain/(loss) on investment properties | 445.8 | (411.6) |
| Fair value gain/(loss) and other adjustments to equity accounted investments | 51.5 | (278.4) |
| Amortisation of lease incentives and costs | (28.5) | (26.6) |
| Straightlining of rental income | 2.9 | 5.3 |
| Valuation increase/(decrease) | 471.7 | (711.3) |
| Net loss on fair value movement of derivatives | (10.3) | (42.7) |
| Net gain/(loss) from foreign currency borrowings and associated hedging | 9.7 | (9.9) |
| Net foreign exchange loss | (0.1) | — |
| Gain on financial liability at amortised cost | 1.2 | 1.1 |
| Financial instruments mark to market and net foreign exchange movements | 0.5 | (51.5) |
| Impairment expense | (14.3) | (1.5) |
| Other items | 0.3 | (0.6) |
| Total other items | (14.0) | (2.1) |
| **Consolidated Statement of Comprehensive Income** | | |
| Net profit/(loss) for the half year | 760.5 | (520.4) |
| **ii) Rent from investment properties** | | |
| **Segment result** | | |
| Rent from investment properties | 390.4 | 334.1 |
| Less: share of rent from investment properties in equity accounted investments | (42.6) | (55.6) |
| Eliminations of intra-group lease payments | (0.8) | (0.8) |
| **Adjustments** | | |
| Amortisation of lease incentives and costs | (28.5) | (26.6) |
| Straightlining of rental income | 2.9 | 5.3 |
| Impairment loss on trade and other receivables | 10.0 | 59.8 |
| **Consolidated Statement of Comprehensive Income** | | |
| Rent from investment properties | 331.4 | 316.2 |
| **iii) Property expenses and outgoings** | | |
| **Segment result** | | |
| Property expenses and outgoings | (104.6) | (90.8) |
| Less: share of property expenses and outgoings in equity accounted investments | 8.2 | 11.4 |
| **Consolidated Statement of Comprehensive Income** | | |
| Property expenses and outgoings | (96.4) | (79.4) |
| **iv) Share of after tax profit of equity accounted investments** | | |
| **Segment result** | | |
| Income from funds | 59.8 | 41.0 |
| Share of rent from investment properties in equity accounted investments | 42.6 | 55.6 |
| Share of property expenses and outgoings in equity accounted investments | (8.2) | (11.4) |
| Development revenue – equity accounted investments | — | 4.6 |
| **Adjustments** | | |
| Fair value gain/(loss) and other adjustments to equity accounted investments | 51.5 | (278.4) |
| **Consolidated Statement of Comprehensive Income** | | |
| Share of after tax profit/(loss) of equity accounted investments | 145.7 | (188.6) |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 1. Segment Information (continued)

### b) Reconciliation of segment result to the Consolidated Statement of Comprehensive Income (continued)

| | 30 Jun 21 $M | 30 Jun 20 [1] $M |
|---|---|---|
| **v) Management net income** | | |
| **Segment result** | | |
| Operations | 2.7 | 11.1 |
| Change in accounting policy | – | (1.9) |
| Less: expenses in development management net income | (2.8) | (2.9) |
| Eliminations of intra-group lease payments | 0.8 | 0.8 |
| Transfer to finance costs – leases | 0.9 | 0.9 |
| Less: depreciation expense | 1.2 | 2.7 |
| Less: amortisation and impairment of software | 1.1 | 1.6 |
| Less: other impairment expense | – | 0.1 |
| **Adjustments** | | |
| Other | (0.4) | (0.8) |
| **Management net income** | 3.5 | 11.6 |
| **Consolidated Statement of Comprehensive Income** | | |
| Property and fund management fees | 39.5 | 41.7 |
| Management and other administration costs | (36.0) | (30.1) |
| **Management net income** | 3.5 | 11.6 |
| **vi) Development profit** | | |
| **Segment result** | | |
| Development revenue | 1.9 | 4.6 |
| Less: share of after tax profit of equity accounted investments | – | (4.6) |
| **Development profit** | 1.9 | – |
| **Consolidated Statement of Comprehensive Income** | | |
| Development revenue | 11.7 | 0.7 |
| Development costs | (9.8) | (0.7) |
| **Development profit** | 1.9 | – |
| **vii) Development management net income** | | |
| **Segment result** | | |
| Development net income | 1.1 | 0.1 |
| Add: expenses in development net income | 2.8 | 2.9 |
| **Consolidated Statement of Comprehensive Income** | | |
| Development management fees | 3.9 | 3.0 |
| **viii) Finance costs** | | |
| **Segment result** | | |
| Finance costs – borrowings | (44.5) | (50.0) |
| Finance costs – leases | (0.9) | (0.9) |
| **Consolidated Statement of Comprehensive Income** | | |
| Finance costs | (45.4) | (50.9) |
| **ix) Income tax expense** | | |
| **Segment result** | | |
| Income tax expense | (4.7) | (6.5) |
| **Adjustment** | | |
| Change in accounting policy | – | 0.6 |
| Tax impact of reconciling items from segment result to net profit/(loss) for the half year | 0.7 | – |
| **Consolidated Statement of Comprehensive Income** | | |
| Income tax expense | (4.0) | (5.9) |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

# OPERATING ASSETS AND LIABILITIES

## 2. Investment Properties

### Basis of valuation

In line with the Valuation Policy, GPT independently values each asset (including investment property assets disclosed within equity accounted investments) at least annually.

Valuations were undertaken having regards to the following factors:

» The government legislated the Code of Conduct for commercial tenancies, in addition to implementing various health and other economic measures which have impacted GPT's properties, tenants and cash flows;

» Independent valuers analyse and then reflect transaction evidence in their key valuation assumptions, including capitalisation and discount rates, when the evidence becomes available. The fair value assessment of GPT's portfolio as at the reporting date includes an estimate of the impacts of COVID-19 using information available at the time of preparation of the financial statements, including the impact of rent relief estimated to be granted to tenants. Independent valuers have also adjusted a number of assumptions, including increasing allowances for incentives and lease up periods for current vacancies, near term lease expiries and lowering forecast market rental growth rates; and

» Immediately prior to 30 June 2021, management consulted with the independent valuers to understand if any assumptions within their valuations required revisiting given the government mandated restrictions announced in NSW during June. All valuers confirmed that their valuations were appropriate as at 30 June 2021, noting that the valuations include stabilisation allowances and adjustments to market rents, downtime and incentives. On 27 July 2021 the Valuation Committee undertook a further review of the valuations with internal tolerance checks undertaken on each asset assessing the potential impact of various scenarios given the extensions to the restrictions to trading in NSW and the announcement of restrictions in Victoria. Management are of the opinion that allowances already made within the valuations are sufficient and the impact on valuations of any additional allowances that may be required as a result of the impact of trading restrictions (considered under a number of scenarios) are within the normal tolerance set out within the valuation policy.

In the event that COVID-19 impacts are more severe or prolonged than anticipated, this may have a further adverse impact on the fair value of GPT's investment properties. Many independent valuations contained material valuation uncertainty clauses given the impacts of COVID-19. The valuations can be relied upon at the date of valuation however, because a higher level of valuation uncertainty than normal is assumed.

GPT provides factual information, including passing rent information, outstanding incentives and capital expenditure forecasts to allow the independent valuers to form their own assessment. Management has reviewed the investment property valuations for accuracy and reasonableness of the assumptions used to determine fair value. The fair values, as assessed by the independent valuers, are shown in the following tables.

### a) Investment properties

| | Note | Investment properties 30 Jun 21 $M | Less lease liabilities 30 Jun 21 $M | Fair value 30 Jun 21 $M | Investment properties 31 Dec 20 $M | Less lease liabilities 31 Dec 20 $M | Fair value 31 Dec 20 $M |
|---|---|---|---|---|---|---|---|
| Retail | (i) | 4,801.3 | (7.7) | 4,793.6 | 4,753.9 | (7.8) | 4,746.1 |
| Office | (ii) | 2,819.9 | — | 2,819.9 | 2,437.8 | — | 2,437.8 |
| Logistics | (iii) | 2,988.4 | — | 2,988.4 | 2,666.7 | — | 2,666.7 |
| Properties under development | (iv) | 354.5 | — | 354.5 | 465.2 | — | 465.2 |
| **Total investment properties** | | **10,964.1** | **(7.7)** | **10,956.4** | **10,323.6** | **(7.8)** | **10,315.8** |

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 2. Investment Properties (continued)

### a) Investment properties (continued)

| | Ownership interest[1] % | Acquisition date | Investment properties 30 Jun 21 $M | Less lease liabilities 30 Jun 21 $M | Fair value 30 Jun 21 $M | Investment properties 31 Dec 20 $M | Less lease liabilities 31 Dec 20 $M | Fair value 31 Dec 20 $M | Latest Independent valuation date | Valuer |
|---|---|---|---|---|---|---|---|---|---|---|
| **i) Retail** | | | | | | | | | | |
| Casuarina Square, NT | 50.0 | Oct 1973 | 210.5 | – | 210.5 | 209.8 | – | 209.8 | Jun 2021 | Urbis |
| Charlestown Square, NSW | 100.0 | Dec 1977 | 859.0 | – | 859.0 | 869.0 | – | 869.0 | Jun 2021 | CB Richard Ellis |
| Highpoint Shopping Centre, VIC | 16.7 | Aug 2009 | 358.3 | – | 358.3 | 350.0 | – | 350.0 | Jun 2021 | Savills Australia |
| Melbourne Central, VIC – retail portion[2] | 100.0 ** | May 1999/ May 2001 | 1,483.0 | (5.7) | 1,477.3 | 1,470.3 | (5.7) | 1,464.6 | Jun 2021 | Jones Lang LaSalle |
| Rouse Hill Town Centre, NSW | 100.0 | Dec 2005 | 669.2 | – | 669.2 | 645.2 | – | 645.2 | Jun 2021 | Colliers International |
| Sunshine Plaza, QLD | 50.0 ** | Dec 1992/ Jun 1999/ Sep 2004 | 566.3 | (2.0) | 564.3 | 568.6 | (2.1) | 566.5 | Jun 2021 | Savills Australia |
| Westfield Penrith, NSW | 50.0 | Jun 1971 | 655.0 | – | 655.0 | 641.0 | – | 641.0 | Jun 2021 | Savills Australia |
| **Total Retail** | | | 4,801.3 | (7.7) | 4,793.6 | 4,753.9 | (7.8) | 4,746.1 | | |
| **ii) Office** | | | | | | | | | | |
| Australia Square, Sydney, NSW | 50.0 | Sep 1981 | 619.0 | – | 619.0 | 583.0 | – | 583.0 | Jun 2021 | Savills Australia |
| 60 Station Street, Parramatta, NSW | 100.0 | Sep 2018 | 270.0 | – | 270.0 | 273.0 | – | 273.0 | Jun 2021 | CB Richard Ellis |
| 4 Murray Rose Avenue, Sydney Olympic Park, NSW | 100.0 * | May 2002 | 143.1 | – | 143.1 | 143.0 | – | 143.0 | Dec 2020 | Colliers International |
| 32 Smith, Parramatta, NSW[3] | 100.0 | Mar 2017 | 325.0 | – | 325.0 | – | – | – | Jun 2021 | Knight Frank |
| Melbourne Central, VIC – office portion[2] | 100.0 | May 1999/ May 2001 | 736.8 | – | 736.8 | 729.0 | – | 729.0 | Dec 2020 | Colliers International |
| 181 William & 550 Bourke Streets, Melbourne, VIC | 50.0 | Oct 2014 | 418.0 | – | 418.0 | 414.5 | – | 414.5 | Jun 2021 | Savills Australia |
| One One One Eagle Street, Brisbane, QLD | 33.3 | Apr 1984 | 308.0 | – | 308.0 | 295.3 | – | 295.3 | Jun 2021 | Cushman & Wakefield |
| **Total Office** | | | 2,819.9 | – | 2,819.9 | 2,437.8 | – | 2,437.8 | | |
| **iii) Logistics** | | | | | | | | | | |
| Rosehill Business Park, Camellia, NSW | 100.0 | May 1998 | 104.6 | – | 104.6 | 104.5 | – | 104.5 | Dec 2020 | Colliers International |
| 10 Interchange Drive, Eastern Creek, NSW | 100.0 | Aug 2012 | 47.5 | – | 47.5 | 42.0 | – | 42.0 | Jun 2021 | Savills Australia |
| 16-34 Templar Road, Erskine Park, NSW | 100.0 | Jun 2008 | 77.0 | – | 77.0 | 72.0 | – | 72.0 | Jun 2021 | CB Richard Ellis |
| 36-52 Templar Road, Erskine Park, NSW | 100.0 | Jun 2008 | 148.3 | – | 148.3 | 130.0 | – | 130.0 | Jun 2021 | Savills Australia |
| 54-70 Templar Road, Erskine Park, NSW | 100.0 | Jun 2008 | 202.2 | – | 202.2 | 179.0 | – | 179.0 | Jun 2021 | Colliers International |
| 67-75 Templar Road, Erskine Park, NSW | 100.0 | Jun 2008 | 31.5 | – | 31.5 | 28.8 | – | 28.8 | Jun 2021 | Jones Lang LaSalle |
| 29-55 Lockwood Road, Erskine Park, NSW | 100.0 | Jun 2008 | 141.3 | – | 141.3 | 123.7 | – | 123.7 | Jun 2021 | Savills Australia |
| 57-87 & 89-99 Lockwood Rd, Erskine Park, NSW | 100.0 | Jul 2019 | 124.0 | – | 124.0 | 110.5 | – | 110.5 | Jun 2021 | CB Richard Ellis |
| 407 Pembroke Road, Minto, NSW | 50.0 | Oct 2008 | 40.3 | – | 40.3 | 35.0 | – | 35.0 | Jun 2021 | Jones Lang LaSalle |

1. Freehold, unless otherwise marked with an * which denotes leasehold and ** denotes a combination of freehold and leasehold respectively.
2. Melbourne Central: 66.7% Retail and 33.3% Office (31 Dec 2020: 66.8% Retail and 33.2% Office). Melbourne Central – Retail Includes 100% of Melbourne Central car park and 100% of 202 Little Lonsdale Street.
3. Following practical completion during the period, this property was reclassified from properties under development to investment property in the Office portfolio.

## 2. Investment Properties (continued)

### a) Investment properties (continued)

| | Ownership interest[1] % | Acquisition date | Investment properties $M | Less lease liabilities 30 Jun 21 $M | Fair value $M | Investment properties $M | Less lease liabilities 31 Dec 20 $M | Fair value $M | Latest Independent valuation date | Valuer |
|---|---|---|---|---|---|---|---|---|---|---|
| **iii) Logistics (continued)** | | | | | | | | | | |
| 4 Holker Street, Newington, NSW | 100.0 | Mar 2006 | 42.3 | – | 42.3 | 42.0 | – | 42.0 | Dec 2020 | Colliers International |
| 83 Derby Street, Silverwater, NSW | 100.0 | Aug 2012 | 52.5 | – | 52.5 | 45.0 | – | 45.0 | Jun 2021 | Jones Lang LaSalle |
| Sydney Olympic Park Town Centre, NSW | 100.0* | Jun 2010/ Apr 2013 | 49.7 | – | 49.7 | 49.7 | – | 49.7 | Dec 2020 | Colliers International |
| Quad 1, Sydney Olympic Park, NSW | 100.0* | Jun 2001 | 31.1 | – | 31.1 | 31.0 | – | 31.0 | Dec 2020 | Colliers International |
| Quad 4, Sydney Olympic Park, NSW | 100.0* | Jun 2004 | 55.9 | – | 55.9 | 55.0 | – | 55.0 | Dec 2020 | Colliers International |
| 372-374 Victoria Street, Wetherill Park, NSW | 100.0 | Jul 2006 | 40.2 | – | 40.2 | 34.7 | – | 34.7 | Jun 2021 | Knight Frank |
| 38 Pine Road, Yennora, NSW | 100.0 | Nov 2013 | 83.3 | – | 83.3 | 72.0 | – | 72.0 | Jun 2021 | Knight Frank |
| 18-24 Abbott Road, Seven Hills, NSW | 100.0 | Oct 2006 | 49.4 | – | 49.4 | 44.2 | – | 44.2 | Jun 2021 | Colliers International |
| 1A Huntingwood Drive, Huntingwood, NSW | 100.0 | Oct 2016 | 54.8 | – | 54.8 | 52.4 | – | 52.4 | Jun 2021 | Savills Australia |
| 1B Huntingwood Drive, Huntingwood, NSW | 100.0 | Oct 2016 | 30.0 | – | 30.0 | 28.0 | – | 28.0 | Jun 2021 | Savills Australia |
| 54 Eastern Creek Drive, Eastern Creek, NSW | 100.0 | Apr 2016 | 71.2 | – | 71.2 | 60.2 | – | 60.2 | Jun 2021 | Colliers International |
| 50 Old Wallgrove Road, Eastern Creek, NSW | 100.0 | Jun 2016 | 87.0 | – | 87.0 | 74.0 | – | 74.0 | Jun 2021 | Jones Lang LaSalle |
| 104 Vanessa Street, Kingsgrove, NSW | 100.0 | May 2019 | 31.3 | – | 31.3 | 27.4 | – | 27.4 | Jun 2021 | Knight Frank |
| 64 Biloela Street, Villawood, NSW | 100.0 | May 2019 | 48.0 | – | 48.0 | 42.7 | – | 42.7 | Jun 2021 | CB Richard Ellis |
| 30-32 Bessemer Street, Blacktown, NSW | 100.0 | May 2019 | 46.5 | – | 46.5 | 43.5 | – | 43.5 | Jun 2021 | CB Richard Ellis |
| 38A Pine Road, Yennora, NSW | 100.0 | Nov 2013 | 15.5 | – | 15.5 | 13.6 | – | 13.6 | Jun 2021 | Colliers International |
| 128 Andrews Road, Penrith, NSW | 100.0 | Jul 2019 | 105.7 | – | 105.7 | 93.6 | – | 93.6 | Jun 2021 | Colliers International |
| 42 Cox Place, Glendenning, NSW[2] | 100.0 | Dec 2019 | 51.2 | – | 51.2 | – | – | – | Jun 2021 | Knight Frank |
| Citiwest Industrial Estate, Altona North, VIC | 100.0 | Aug 1994 | 135.0 | – | 135.0 | 115.0 | – | 115.0 | Jun 2021 | CB Richard Ellis |
| Citiport Business Park, Port Melbourne, VIC | 100.0 | Mar 2012 | 93.8 | – | 93.8 | 93.5 | – | 93.5 | Dec 2020 | Savills Australia |
| Austrak Business Park, Somerton, VIC | 50.0 | Oct 2003 | 238.8 | – | 238.8 | 215.5 | – | 215.5 | Jun 2021 | CB Richard Ellis |
| Sunshine Business Estate, Sunshine, VIC | 100.0 | Jan 2018 | 97.0 | – | 97.0 | 88.0 | – | 88.0 | Jun 2021 | Jones Lang LaSalle |
| 396 Mount Derrimut Road, Derrimut, VIC | 100.0 | Nov 2018 | 16.4 | – | 16.4 | 14.7 | – | 14.7 | Jun 2021 | Jones Lang LaSalle |
| 399 Boundary Road, Truganina, VIC | 100.0 | Dec 2018 | 22.8 | – | 22.8 | 20.5 | – | 20.5 | Jun 2021 | Jones Lang LaSalle |
| 21 Shiny Drive, Truganina, VIC | 100.0 | Nov 2018 | 47.2 | – | 47.2 | 42.3 | – | 42.3 | Jun 2021 | Savills Australia |
| 21-23 Wirraway Drive, Port Melbourne, VIC | 100.0 | Mar 2020 | 32.6 | – | 32.6 | 32.6 | – | 32.6 | Dec 2020 | Savills Australia |
| 1 Botero Place, Truganina, VIC | 100.0 | May 2020 | 50.1 | – | 50.1 | 44.4 | – | 44.4 | Jun 2021 | Savills Australia |
| Foundation Estate, Truganina, VIC | 100.0 | Dec 2020 | 128.0 | – | 128.0 | 120.0 | – | 120.0 | Jun 2021 | CB Richard Ellis |
| 59 Forest Way, Karawatha, QLD | 100.0 | Dec 2012 | 147.0 | – | 147.0 | 137.5 | – | 137.5 | Jun 2021 | Jones Lang LaSalle |
| 55 Whitelaw Place, Wacol, QLD | 100.0 | Dec 2016 | 21.9 | – | 21.9 | 19.9 | – | 19.9 | Jun 2021 | Jones Lang LaSalle |
| 2 Ironbark Close, Wembley Business Park, Berrinba, QLD | 100.0 | Jun 2015 | 61.3 | – | 61.3 | 57.0 | – | 57.0 | Jun 2021 | Savills Australia |
| 30 Ironbark Close Wembley Business Park, Berrinba, QLD | 100.0 | Jun 2015 | 34.2 | – | 34.2 | 31.3 | – | 31.3 | Jun 2021 | Savills Australia |
| **Total Logistics** | | | 2,988.4 | – | 2,988.4 | 2,666.7 | – | 2,666.7 | | |

1. Freehold, unless otherwise marked with an * which denotes leasehold.
2. Following practical completion during the period, this property has been reclassified from properties under development to investment property in the Logistics portfolio.

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 2. Investment Properties (continued)

### a) Investment properties (continued)

| | Ownership interest [1] % | Acquisition date | Investment properties 30 Jun 21 $M | Less lease liabilities 30 Jun 21 $M | Fair value 30 Jun 21 $M | Investment properties 31 Dec 20 $M | Less lease liabilities 31 Dec 20 $M | Fair value 31 Dec 20 $M | Latest Independent valuation date | Valuer |
|---|---|---|---|---|---|---|---|---|---|---|
| **iv) Property under Development** | | | | | | | | | | |
| 32 Smith, Parramatta, NSW [2] | 100.0 | Mar 2017 | – | – | – | 254.0 | – | 254.0 | – | – |
| 42 Cox Place, Glendenning, NSW [3] | 100.0 | Dec 2019 | – | – | – | 34.0 | – | 34.0 | – | – |
| 407 Pembroke Rd, Minto, NSW | 50.0 | Oct 2008 | 9.8 | – | 9.8 | 9.8 | – | 9.8 | Jun 2021 | Jones Lang LaSalle |
| Yiribana Logistics Hub, Mamre Road, Kemps Creek, NSW | 100.0 | Oct 2020 | 145.0 | – | 145.0 | 35.0 | – | 35.0 | Apr/Jun 2021 | Knight Frank |
| The Gateway Logistics Hub, Stage 2, Truganina, VIC | 100.0 | Nov 2018 | 24.5 | – | 24.5 | 13.9 | – | 13.9 | Jun 2021 | Savills Australia |
| The Gateway Logistics Hub, Stage 3, Truganina, VIC | 100.0 | Jul 2019 | 39.4 | – | 39.4 | 12.1 | – | 12.1 | Jun 2021 | Savills Australia |
| The Gateway Logistics Hub, Stage 4-6, Truganina, VIC | 100.0 | Jul 2019 | 30.1 | – | 30.1 | 27.5 | – | 27.5 | Dec 2020 | Savills Australia |
| Austrak Business Park, Somerton, VIC | 50.0 | Oct 2003 | 56.4 | – | 56.4 | 47.6 | – | 47.6 | Jun 2021 | CB Richard Ellis |
| Foundation Estate, Truganina, VIC | 100.0 | Dec 2020 | 6.6 | – | 6.6 | 5.7 | – | 5.7 | Jun 2021 | CB Richard Ellis |
| Wembley Business Park, Stage 3, Berrinba, QLD | 100.0 | Jun 2015 | 13.8 | – | 13.8 | 12.9 | – | 12.9 | Jun 2021 | Jones Lang LaSalle |
| Wembley Business Park, Stage 4, Berrinba, QLD | 100.0 | Jun 2015 | 28.9 | – | 28.9 | 12.7 | – | 12.7 | Jun 2021 | Jones Lang LaSalle |
| **Total Properties under development** | | | 354.5 | – | 354.5 | 465.2 | – | 465.2 | | |
| **v) Investment properties held for sale** | | | | | | | | | | |
| Sydney Olympic Park – Metro Assets [4] | 100.0* | Jul 2004/ Aug 2004/ Jul 2005 | – | – | – | 103.0 | – | 103.0 | – | – |
| 142-158 Pacific Highway, Charlestown, NSW [5] | 100.0 | Oct 2002 | – | – | – | 5.5 | – | 5.5 | – | – |
| **Total Properties held for sale** | | | – | – | – | 108.5 | – | 108.5 | | |

1. Freehold, unless otherwise marked with an * which denotes leasehold.
2. Following practical completion during the period, this property has been reclassified from properties under development to investment property in the Office portfolio.
3. Following practical completion during the period, this property has been reclassified from properties under development to investment property in the Logistics portfolio.
4. The Metro Assets at Sydney Olympic Park were compulsorily acquired on 19 March 2021. GPT have recorded the disposal at the current offer price of $103.0 million. This amount is reflected as a receivable as the final sale price to be received from Sydney Metro is yet to be determined.
5. 142-158 Pacific Highway was sold on 30 June 2021 for a total consideration of $5.5 million.

| | Retail $M | Office $M | Logistics $M | Properties under development $M | 30 Jun 21 $M | 31 Dec 20 $M |
|---|---|---|---|---|---|---|
| **vi) Reconciliation** | | | | | | |
| **Opening balance at the beginning of the half year** | 4,753.9 | 2,437.8 | 2,666.7 | 465.2 | 10,323.6 | 10,327.5 |
| Additions – operating capital expenditure | 6.6 | 4.2 | 1.3 | – | 12.1 | 28.4 |
| Additions – development capital expenditure | 7.6 | 2.0 | 1.0 | 72.2 | 82.8 | 247.4 |
| Additions – interest capitalised [1] | 0.2 | – | – | 2.6 | 2.8 | 10.3 |
| Asset acquisitions | – | – | 0.1 | 101.4 | 101.5 | 245.7 |
| Transfers to assets held for sale | – | – | – | – | – | (108.5) |
| Transfers from properties under development/other assets | – | 325.0 | 51.2 | (374.8) | 1.4 | – |
| Ground leases of investment properties | (0.1) | – | – | – | (0.1) | 1.4 |
| Disposals | – | – | – | – | – | (61.8) |
| Fair value adjustments | 35.8 | 50.9 | 272.1 | 87.0 | 445.8 | (365.6) |
| Lease incentives (includes rent free) | 3.6 | 10.5 | 1.6 | 0.3 | 16.0 | 43.7 |
| Leasing costs | 2.3 | 1.3 | 0.1 | 0.1 | 3.8 | 6.6 |
| Amortisation of lease incentives and costs | (7.3) | (13.1) | (8.0) | (0.1) | (28.5) | (56.9) |
| Straightlining of leases | (1.3) | 1.3 | 2.3 | 0.6 | 2.9 | 5.4 |
| **Closing balance at the end of the half year** | 4,801.3 | 2,819.9 | 2,988.4 | 354.5 | 10,964.1 | 10,323.6 |

1. A capitalisation interest rate of 2.7% (31 December 2020: 3.1%) has been applied when capitalising interest on qualifying assets.

## 2. Investment Properties (continued)

### b) Fair value measurement, valuation techniques and inputs

A description of the valuation techniques and key inputs are included in the following table:

| Class of assets | Fair value hierarchy [1] | Valuation technique | Inputs used to measure fair value | Unobservable inputs 30 Jun 21 | Unobservable inputs 31 Dec 20 |
|---|---|---|---|---|---|
| Retail | Level 3 | Discounted cash flow (DCF) and income capitalisation method | Gross market rent (per sqm p.a.) | $1,427 – $2,294 | $1,382 – $2,238 |
| | | | 10 year average specialty market rental growth | 2.4% – 3.2% | 2.4% – 3.1% |
| | | | Adopted capitalisation rate | 4.50% – 6.25% | 4.50% – 6.25% |
| | | | Adopted terminal yield | 4.75% – 6.50% | 4.75% – 6.50% |
| | | | Adopted discount rate | 6.00% – 7.00% | 6.00% – 7.00% |
| | | | Lease incentives (gross) | 7.3% – 12.5% | 7.3% – 12.5% |
| | | | COVID-19 allowance (% of annual income) | 0% – 28.3% | 7.3% – 20.1% |
| Office | Level 3 | DCF and income capitalisation method | Net market rent (per sqm p.a.) | $430 – $1,400 | $430 – $1,435 |
| | | | 10 year average market rental growth | 3.1% – 3.8% | 2.5% – 3.7% |
| | | | Adopted capitalisation rate | 4.75% – 5.63% | 4.75% – 5.75% |
| | | | Adopted terminal yield | 5.00% – 5.75% | 5.00% – 6.00% |
| | | | Adopted discount rate | 5.88% – 6.25% | 6.13% – 6.50% |
| | | | Lease incentives (gross) | 17.5% – 40.0% | 16.7% – 37.5% |
| | | | COVID-19 allowance (% of annual income) | 0% – 0.1% | 0% – 15.7% |
| Logistics | Level 3 | DCF and income capitalisation method | Net market rent (per sqm p.a.) | $70 – $530 | $70 – $530 |
| | | | 10 year average market rental growth | 2.9% – 3.4% | 2.6% – 3.4% |
| | | | Adopted capitalisation rate | 3.88% – 5.75% | 4.38% – 5.75% |
| | | | Adopted terminal yield | 4.25% – 6.00% | 4.63% – 6.00% |
| | | | Adopted discount rate | 5.50% – 6.75% | 6.00% – 6.75% |
| | | | Lease incentives (net) | 10.0% – 30.0% | 8.3% – 30.0% |
| | | | COVID-19 allowance (% of annual income) | N/A | 0% – 25.0% |
| Properties under development | Level 3 | Income capitalisation method, or land rate | Net market rent (per sqm p.a.) | $80 – $113 | $109 – $655 |
| | | | Adopted capitalisation rate | 4.00% – 5.00% | 5.00% – 5.25% |
| | | | Adopted terminal yield | 4.25% – 5.13% | 5.00% – 5.63% |
| | | | Adopted discount rate | 5.50% – 6.00% | 6.00% – 6.38% |
| | | | Land rate (per sqm) | $275 – $650 | $250 – $500 |
| | | | Profit and risk factor | 0% – 15.0% | 15.0% – 16.9% |

1. Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | |
|---|---|
| DCF method | Under the DCF method, the fair value is estimated using explicit assumptions regarding the benefits and liabilities of ownership over the asset's or liability's life including an exit or terminal value. The DCF method involves the projection of a series of cash flows from the assets or liabilities. To this projected cash flow series, an appropriate, market-derived discount rate is applied to establish the present value of the cash flow stream associated with the assets or liabilities. |
| Income capitalisation method | This method involves assessing the total net market income of the property and capitalising this in perpetuity to derive a capital value, with allowances for capital expenditure and reversions. |
| Gross market rent | A gross market rent is the estimated amount of rent for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion. |
| Net market rent | A net market rent is the estimated amount for which a property or space within a property should lease between a willing lessor and a willing lessee on appropriate lease terms in an arm's length transaction, after proper marketing and wherein the parties have each acted knowledgeably, prudently and without compulsion and excludes the building outgoings or cleaning costs paid by the tenant. |
| 10 year average specialty market rental growth | The expected annual rate of change in market rent over a 10 year forecast period in specialty tenancy rents. Specialty tenants are those tenancies with a gross lettable area of less than 400 square metres (excludes ATMs and kiosks). |
| 10 year average market rental growth | The expected annual rate of change in market rent over a 10 year forecast period. |
| Adopted capitalisation rate | The rate at which net market income is capitalised to determine the value of a property. The rate is determined with regards to market evidence. |
| Adopted terminal yield | The capitalisation rate used to convert income into an indication of the anticipated value of the property at the end of the holding period when carrying out a discounted cash flow calculation. The rate is determined with regards to market evidence. |

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 2. Investment Properties (continued)

### b) Fair value measurement, valuation techniques and inputs (continued)

| | |
|---|---|
| **Adopted discount rate** | The rate of return used to convert a monetary sum, payable or receivable in the future, into present value. Theoretically it should reflect the opportunity cost of capital, that is, the rate of return the capital can earn if put to other uses having similar risk. The rate is determined with regards to market evidence. |
| **Land rate (per sqm)** | The land rate is the market land value per sqm. |
| **Profit and risk factor** | The profit and risk factor is applied to the remaining costs of a development to reflect a target margin required to complete the project. The factor will vary depending on the remaining leasing or construction required. |
| **Lease incentives** | A lease incentive is often provided to a lessee upon the commencement of a lease. Incentives can be a combination of, or, one of the following: a rent free period, a fit-out contribution, a cash contribution or rental abatement. |
| **COVID-19 allowance** | The COVID-19 allowance reflects the anticipated prospective rent relief granted to tenants in accordance with the Code of Conduct principles. |

### c) Valuation process – investment properties

GPT manages the semi-annual valuation process to ensure that investment properties are held at fair value in GPT's accounts and that GPT is compliant with applicable regulations (for example the Corporations Act 2001 and ASIC regulations), the GPT RE Constitution and Compliance Plan.

GPT has a Valuation Committee (committee) which is comprised of the Chief Operating Officer, Chief Financial Officer, Head of Funds Management, Head of Transactions, Deputy Chief Financial Officer and General Counsel.

The purpose of the committee is to:

» approve the panel of independent valuers;

» review valuation inputs and assumptions;

» provide an escalation process where there are differences of opinion from various team members responsible for the valuation;

» oversee the finalisation of the valuations; and

» review the independent valuation sign-off and any comments that have been noted.

All independent valuations and internal tolerance checks are reviewed by the committee prior to these being presented to the Board for approval.

#### Independent valuations

GPT's independent valuations are performed by independent valuers who hold recognised relevant professional qualifications and have specialised expertise in the investment properties being valued. Selected independent valuation firms form part of a panel approved by the committee. Each valuation firm is limited to undertaking consecutive valuations of a property for a maximum period of two years. Where exceptional circumstances arises, an extension of the valuer's term must be approved by the relevant Board.

The Valuation Policy requires an independent valuation at least annually for all completed investment properties. Properties under development with value of $100 million or greater are independently valued at least every six months. Unimproved land is independently valued at least every three years. Additional valuations are completed in the event an internal tolerance check identifies the requirement for an independent valuation.

#### Internal tolerance checks

Every six months, with the exception of properties independently valued, an internal tolerance check is prepared. The internal tolerance check involves the preparation of a DCF and income capitalisation valuation for each investment property. These are produced using a capitalisation rate, terminal yield and discount rates based on comparable market evidence and recent independent valuation parameters. The tolerance measurement will typically be a mid-point of these two approaches.

These internal tolerance checks are used to determine whether the book value is in line with the fair value or whether an independent valuation is required.

### d) Sensitivity information – investment properties

Critical judgements are made by GPT in respect of the fair values of investment properties (including investment properties within equity accounted investments). Fair values are reviewed regularly by management with reference to independent property valuations, recent offers, market conditions, and using generally accepted market practices. The valuation process, critical assumptions underlying the valuations and information on sensitivity are disclosed below and in note 2(b).

An independent valuer will typically conduct both an income capitalisation valuation and a discounted cash flow (DCF) valuation for each asset, which informs a range of valuation outcomes. The valuer will then apply their expertise in determining an adopted value, which may include adopting one of these specific approaches or a mid-point of these two approaches.

In conducting the sensitivity analysis, management have selected a sample of two assets for each portfolio, for which key metrics are typical of the portfolio to which they relate. For those assets, the independent valuer conducted the sensitivity analysis in the following tables. Results for individual assets may differ based on each asset's particular attributes and market conditions.

## 2. Investment Properties (continued)

### d) Sensitivity information – investment properties (continued)

The following table shows the sensitivity of the valuation to movements in the key variables of discount rate and market rental growth rates.

#### i) Retail valuation sensitivity

| | | |
|---|---|---|
| **Discount Rate** | **(0.25%)** | **+0.25%** |
| Impact to valuation | 2.0% | (2.0%) |
| **10 Year Specialty Growth Rate** | **(0.25%)** | **+0.25%** |
| Impact to valuation | (1.8%) | 1.8% |

#### ii) Office valuation sensitivity

| | | |
|---|---|---|
| **Discount Rate** | **(0.25%)** | **+0.25%** |
| Impact to valuation | 2.1% | (2.1%) |
| **10 Year Growth Rate** | **(0.25%)** | **+0.25%** |
| Impact to valuation | (1.9%) | 1.9% |

#### iii) Logistics valuation sensitivity

| | | |
|---|---|---|
| **Discount Rate** | **(0.25%)** | **+0.25%** |
| Impact to valuation | 2.0% | (1.9%) |
| **10 Year Growth Rate** | **(0.25%)** | **+0.25%** |
| Impact to valuation | (1.9%) | 1.9% |

## 3. Equity Accounted Investments

| | Note | 30 Jun 21 $M | 31 Dec 20 $M |
|---|---|---|---|
| Investments in joint ventures | (a)(i) | 885.7 | 848.6 |
| Investments in associates | (a)(ii) | 2,948.3 | 2,875.2 |
| **Total equity accounted investments** | | **3,834.0** | **3,723.8** |

### Details of equity accounted investments

| Name | Principal Activity | Ownership Interest 30 Jun 21 % | Ownership Interest 31 Dec 20 % | 30 Jun 21 $M | 31 Dec 20 $M |
|---|---|---|---|---|---|
| **i) Joint ventures** | | | | | |
| 2 Park Street Trust[1] | Investment property | 50.00 | 50.00 | 807.7 | 804.6 |
| Horton Trust | Investment property | 50.00 | 50.00 | 28.6 | 28.1 |
| GPT QuadReal Logistics Trust[2] | Investment property | 50.10 | 50.10 | 35.9 | – |
| Lendlease GPT (Rouse Hill) Pty Limited[1,3] | Property development | 50.00 | 50.00 | 13.5 | 15.9 |
| **Total investment in joint venture entities** | | | | **885.7** | **848.6** |
| **ii) Associates** | | | | | |
| GPT Wholesale Office Fund[1,4] | Investment property | 21.84 | 21.87 | 1,618.3 | 1,579.6 |
| GPT Wholesale Shopping Centre Fund[1] | Investment property | 28.48 | 28.48 | 779.1 | 759.3 |
| GPT Funds Management Limited | Funds management | 100.00 | 100.00 | 10.0 | 10.0 |
| Darling Park Trust[1] | Investment property | 41.67 | 41.67 | 540.9 | 526.3 |
| DPT Operator Pty Limited[1] | Management | 91.67 | 91.67 | – | – |
| DPT Operator No.2 Pty Limited[1] | Management | 91.67 | 91.67 | – | – |
| **Total investments in associates** | | | | **2,948.3** | **2,875.2** |

1. The entity has a 30 June balance date.
2. The GPT QuadReal Logistics Trust was formed in December 2020 and made its first investment in February 2021.
3. GPT has a 50% interest in Lendlease GPT (Rouse Hill) Pty Limited, a joint venture developing residential and commercial land at Rouse Hill, in partnership with Urban Growth and the NSW Department of Planning.
4. Ownership has decreased as a result of GPT not participating in the Distribution Reinvestment Plan (DRP) which occurred during the half year.

For those joint ventures and associates with investment property as the principal activity, refer to note 2 for details on key judgements and estimates relating to the valuation of these investment properties, including how COVID-19 impacts were addressed.

For those joint ventures where the principal activity is property development, refer to note 13(h) for details on key judgements and estimates.

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## CAPITAL STRUCTURE

### 4. Equity

| | Number | Trust $M | Other entities stapled to the Trust $M | Total $M |
|---|---|---|---|---|
| **Ordinary stapled securities** | | | | |
| Opening securities on issue and contributed equity at 1 January 2020 | 1,947,929,316 | 8,673.2 | 332.0 | 9,005.2 |
| **Closing securities on issue and contributed equity at 30 June 2020** | 1,947,929,316 | 8,673.2 | 332.0 | 9,005.2 |
| Opening securities on issue and contributed equity at 1 January 2021 | **1,947,929,316** | **8,673.2** | **332.0** | **9,005.2** |
| On-market securities buy-back [1] | **(32,351,886)** | **(146.7)** | **(0.1)** | **(146.8)** |
| **Closing securities on issue and contributed equity at 30 June 2021** | **1,915,577,430** | **8,526.5** | **331.9** | **8,858.4** |

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

### 5. Earnings Per Stapled Security

| | 30 Jun 21 Cents | 30 Jun 21 Cents | 30 June 20 [1] Cents | 30 June 20 [1] Cents |
|---|---|---|---|---|
| **a) Attributable to ordinary securityholders of the Trust** | Basic | Diluted | Basic | Diluted |
| Total basic and diluted earnings per security attributable to ordinary securityholders of the Trust | **38.9** | **38.9** | (27.8) | (27.8) |
| **b) Attributable to ordinary stapled securityholders of the GPT Group** | | | | |
| Total basic and diluted earnings per security attributable to stapled securityholders of the GPT Group | **39.3** | **39.3** | (26.7) | (26.7) |

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

| | $M | $M | $M | $M |
|---|---|---|---|---|
| **c) Reconciliation of earnings used in calculating earnings per ordinary stapled security** | | | | |
| Basic and diluted earnings of the Trust | **751.2** | **751.2** | (540.6) | (540.6) |
| Basic and diluted earnings of the Company | **9.3** | **9.3** | 20.2 | 20.2 |
| **Basic and diluted earnings of the GPT Group** | **760.5** | **760.5** | (520.4) | (520.4) |

| | Millions | Millions | Millions | Millions |
|---|---|---|---|---|
| **d) Weighted average number of ordinary securities** | | | | |
| WANOS used as the denominator in calculating basic earnings per ordinary stapled security | **1,933.2** | **1,933.2** | 1,947.9 | 1,947.9 |
| Performance security rights at weighted average basis [2] | | **0.3** | | – |
| **WANOS used as the denominator in calculating diluted earnings per ordinary stapled security** | | **1,933.5** | | 1,947.9 |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.
2. Performance security rights granted under the employee incentive schemes are only included in dilutive earnings per ordinary stapled security when the performance hurdles are met at half year end.

### 6. Distributions Paid And Payable

Distributions are paid to GPT securityholders half yearly.

| | Cents per stapled security | Total amount $M |
|---|---|---|
| **Distributions paid/payable** | | |
| **2021** | | |
| 6 month period ended 31 December 2020 [1] | 13.2 | 257.1 |
| **Total distributions paid/payable for the half year** | 13.2 | 257.1 |
| **2020** | | |
| 6 month period ended 30 June 2020 [2] | – | – |
| **Total distributions paid/payable for the half year** | – | – |

1. The distribution for the half year ended 31 December 2020 was declared on 15 February 2021 and paid on 26 February 2021. For the half year ended 30 June 2021, a distribution of 13.3 cents per security representing 99.9 per cent of free cashflow, was declared on 16 August 2021 and is expected to be paid on 31 August 2021. The distribution is 43.0 per cent higher than the 30 June 2020 distribution of 9.30 cents per security as a result of higher collection of trade receivables in the current period and the impact that COVID-19 had on prior period income and operating cashflows.
2. For the half year ended 30 June 2020, a distribution of 9.3 cents per security was declared on 10 August 2020 and disclosed as a subsequent event.

## 7. Borrowings

| | 30 Jun 21 $M | 31 Dec 20 $M |
|---|---|---|
| Current borrowings at amortised cost – unsecured [1] | 586.0 | 514.0 |
| Current borrowings at amortised cost – secured | 3.4 | 5.0 |
| **Current borrowings** | 589.4 | 519.0 |
| Non-current borrowings at amortised cost – unsecured | 1,200.4 | 1,186.2 |
| Non-current borrowings at fair value through profit and loss – unsecured [2] | 2,249.9 | 2,294.0 |
| Non-current borrowings at amortised cost – secured | 88.3 | 88.2 |
| **Non-current borrowings** | 3,538.6 | 3,568.4 |
| **Total borrowings [3] – carrying amount** | 4,128.0 | 4,087.4 |
| **Total borrowing [4] – fair value** | 4,211.4 | 4,124.1 |

1. Represents GPT's commercial paper program which is an uncommitted line with a maturity period of generally three months or less and is classified as current borrowings. These drawings are in addition to GPT's committed facilities but may be refinanced by non-current undrawn bank loan facilities.
2. Cumulative fair value movements are shown in the table below.
3. Including unamortised establishment costs, fair value and other adjustments.
4. For the majority of the borrowings, the carrying amount is a reasonable approximation of fair value. Where material differences arise, the fair value is calculated using market observable inputs (level 2) and unobservable inputs (level 3). This excludes unamortised establishment costs.

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

When the terms of a financial liability are modified, AASB 9 *Financial Instruments* requires an entity to perform an assessment to determine whether the modified terms are substantially different from the existing financial liability. Where a modification is substantial, it will be accounted for as an extinguishment of the original financial liability and a recognition of a new financial liability. Where the modification does not result in extinguishment, the difference between the existing carrying amount of the financial liability and the modified cash flows discounted at the original effective interest rate is recognised in the Consolidated Statement of Comprehensive Income as a gain/loss on modification of financial liability. GPT management has assessed the modification of terms requirements within AASB 9 and have concluded that these do not have a material impact for the Group.

The following table outlines the cumulative amount of fair value movements that are included in the carrying amount of borrowings in the Consolidated Statement of Financial Position:

| | 30 Jun 21 $M | 31 Dec 20 $M |
|---|---|---|
| Nominal amount | 1,907.4 | 1,907.4 |
| Unamortised borrowing costs | (5.7) | (6.0) |
| **Amortised cost** | 1,901.7 | 1,901.4 |
| Cumulative fair value movements | 348.2 | 392.6 |
| **Carrying amount** | 2,249.9 | 2,294.0 |

Carrying value of cross currency interest rate swaps hedging the above foreign currency borrowings is reflected in the Consolidated Statement of Financial Position within derivative assets totalling $345.8 million (31 December 2020: $368.9 million) and within derivative liabilities totalling $17.8 million (31 December 2020: $17.3 million).

The maturity profile of borrowings as at 30 June 2021 is provided in the following table:

| | Total facility [1,2,3] $M | Used facility [1] $M | Unused facility [2,3] $M |
|---|---|---|---|
| Due within one year | 590.0 | 589.4 | 0.6 |
| Due between one and five years | 2,365.5 | 843.5 | 1,522.0 |
| Due after five years | 2,657.4 | 2,332.4 | 325.0 |
| | 5,612.9 | 3,765.3 | 1,847.6 |
| Cash and cash equivalents | | | 72.2 |
| **Total financing resources available at the end of the half year** | | | 1,919.8 |
| Less: commercial paper [2] | | | (586.0) |
| Less: cash and cash equivalents held for AFSLs | | | (10.2) |
| **Total financing resources available at the end of the half year** | | | 1,323.6 |

1. Excluding unamortised establishment costs, fair value and other adjustments and $10.0 million bank guarantee facilities and its $2.1 million utilisation. This reflects the contractual cashflows payable on maturity of the borrowings taking into account historical exchange rates under cross currency interest rate swaps entered into to hedge the foreign currency borrowings.
2. GPT's commercial paper program is an uncommitted line with a maturity period of generally three months or less and is classified as current borrowings. These drawings are in addition to GPT's committed facilities but may be refinanced by non-current undrawn bank loan facilities and are therefore excluded from available liquidity.
3. Including $100.0 million of forward starting facilities available to GPT.

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

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 7. Borrowings (continued)

### Debt covenants

GPT's borrowings are subject to a range of covenants, according to the specific purpose and nature of the loans. Most bank facilities include one or more of the following covenants:

» Gearing: total debt must not exceed 50% of adjusted total tangible assets; and

» Interest coverage: the ratio of earnings before interest and taxes (EBIT) to finance costs on borrowings is not to be less than 2 times.

A breach of these covenants may trigger consequences ranging from rectifying and/or repricing to repayment of outstanding amounts. GPT performed a review of debt covenants as at 30 June 2021 and no breaches were identified.

## 8. Other Fair Value Disclosures

Information about how the fair value of financial instruments is calculated and other information required by the accounting standards, including the valuation process, critical assumptions underlying the valuations and information on sensitivity are disclosed in the following table:

### a) Fair value measurement, valuation techniques and inputs

| Class of assets/liabilities | Fair value hierarchy[1] | Valuation technique | Inputs used to measure fair value | Unobservable inputs 30 Jun 21 | Unobservable inputs 31 Dec 20 |
|---|---|---|---|---|---|
| Derivative financial instruments | Level 2 | DCF (adjusted for counterparty credit worthiness) | Interest rates<br>Basis<br>CPI<br>Volatility<br>Foreign exchange rates | Not applicable – all inputs are market observable inputs | |
| Foreign currency borrowings | Level 2 | DCF | Interest rates<br>Foreign exchange rates | Not applicable – all inputs are market observable inputs | |

1. Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| | |
|---|---|
| Counterparty credit worthiness | Credit value adjustments are applied to derivative assets based on that counterparty's credit risk using the observable credit default swaps curve as a benchmark for credit risk.<br>Debit value adjustments are applied to derivatives liabilities based on GPT's credit risk using GPT's credit default swaps curve as a benchmark for credit risk. |

## OTHER DISCLOSURE ITEMS

## 9. Cash Flow Information

Reconciliation of net profit/(loss) for the half year to net cash inflows from operating activities:

| | 30 Jun 21 $M | 30 Jun 20[1] $M |
|---|---|---|
| Net profit/(loss) for the half year | 760.5 | (520.4) |
| Fair value (gain)/loss on investment properties | (445.8) | 411.6 |
| Fair value loss on derivatives | 10.3 | 42.7 |
| Net (gain)/loss impact of foreign currency borrowings and associated hedging | (9.7) | 9.9 |
| Gain on financial liability at amortised cost | (1.2) | (1.1) |
| Impairment expense | 14.3 | 0.1 |
| Share of after tax (profit)/loss of equity accounted investments (net of distributions) | (68.3) | 262.7 |
| Depreciation and amortisation | 2.3 | 4.3 |
| Non-cash employee benefits – security based payments | 1.5 | — |
| Non-cash revenue/expense adjustments | 20.8 | 14.0 |
| Profit on sale of inventories | (1.9) | (0.2) |
| Proceeds from sale of inventories | 11.7 | 0.7 |
| Payment for inventories | (2.5) | (5.0) |
| Movements in working capital and reserves (net of impairment) | (4.7) | (16.9) |
| Net foreign exchange loss | 0.1 | — |
| Other | 1.6 | (2.1) |
| **Net cash inflows from operating activities** | **289.0** | **200.3** |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

## 10. Lease Revenue

| | 30 Jun 21 | | | | 30 Jun 20 | | | |
|---|---|---|---|---|---|---|---|---|
| **Segment Result** | **Retail** | **Office** | **Logistics** | **Total** | **Retail** | **Office** | **Logistics** | **Total** |
| Lease revenue | 131.3 | 71.2 | 84.8 | 287.3 | 81.4 | 68.1 | 74.3 | 223.8 |
| Recovery of operating costs | 40.0 | 14.2 | 6.3 | 60.5 | 34.2 | 14.4 | 6.1 | 54.7 |
| Share of rent from investment properties in equity accounted investments | 0.7 | 41.9 | – | 42.6 | 0.6 | 55.0 | – | 55.6 |
| | 172.0 | 127.3 | 91.1 | 390.4 | 116.2 | 137.5 | 80.4 | 334.1 |
| *Less:* | | | | | | | | |
| Share of rent from investment properties in equity accounted investments | | | | (42.6) | | | | (55.6) |
| Amortisation of lease incentives and costs | | | | (28.5) | | | | (26.6) |
| Straightlining of leases | | | | 2.9 | | | | 5.3 |
| Eliminations of intra-group lease payments | | | | (0.8) | | | | (0.8) |
| Impairment loss on trade and other receivables | | | | 10.0 | | | | 59.8 |
| **Consolidated Statement of Comprehensive Income** | | | | | | | | |
| Rent from investment properties | | | | 331.4 | | | | 316.2 |

### Rent from investment properties

Rent from investment properties in the Consolidated Statement of Comprehensive Income is recognised and measured in accordance with AASB 16 *Leases*. Revenue for leases which have fixed increases is recognised on a straight line basis for the minimum contracted rent over the lease term with an asset recognised as a component of investment properties relating to the fixed increases in operating lease rentals in future periods. When GPT provides lease incentives to tenants, these costs are amortised against lease income on a straight line basis. Contingent rental income is recognised as revenue in the period in which it is earned.

In addition to revenue generated directly from the lease, rent from investment properties includes non-lease revenue earned from tenants, predominately in relation to recovery of asset operating costs, which is recognised and measured under AASB 15 *Revenue from Contracts with Customers*.

Management has assessed if a rent waiver constitutes a lease modification under AASB 16 and concluded that where rent waivers relate to periods after the execution of an agreement with the tenant, this constitutes a lease modification. Rent waivers relating to periods prior to the execution of an agreement are treated as write-offs under AASB 9 *Financial Instruments* where the rent waiver offsets a receivable from the tenant (see note 13(c)). Waivers reflected on invoices issued to tenants and which do not relate to previous outstanding debtors, are shown as a reduction to rent from investment properties on the Consolidated Statement of Financial Performance.

## 11. Commitments

### a) Capital expenditure commitments

Commitments arising from contracts principally relating to the purchase and development of investment properties contracted for at balance date but not recognised in the Consolidated Statement of Financial Position:

| | 30 Jun 21 $M | 31 Dec 20[1] $M |
|---|---|---|
| Retail | 24.5 | 22.0 |
| Office | 106.6 | 97.4 |
| Logistics | 17.4 | 17.1 |
| Properties under development | 17.6 | 42.8 |
| Corporate | 0.8 | 0.6 |
| **Total capital expenditure commitments** | **166.9** | 179.9 |

1. The comparatives have been restated to reflect the implementation of an IFRIC agenda decision, refer to note 12 for details.

In addition to the above, in 2019 GPT contracted to purchase a logistics development site in Truganina, Melbourne at 865 Boundary Road for which GPT paid a deposit of $5.1 million, with $28.9 million committed to be paid at settlement, which is expected to occur in 2022.

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 11. Commitments (continued)

### b) Capital commitments relating to equity accounted investments

GPT's share of equity accounted investments' capital commitments at balance date:

| | 30 Jun 21 $M | 31 Dec 20 $M |
|---|---|---|
| Capital expenditure | 145.3 | 76.1 |
| **Total joint ventures and associates' commitments** | **145.3** | 76.1 |

In addition to the above, during the period the GPT QuadReal Trust contracted to purchase the following:

– A development site in Wacol, Queensland with settlement occurring in July 2021 for a total of $4.7 million (GPT's 50.1% ownership).

– Development sites in Keysborough, Melbourne adjacent to its existing sites. Settlement is expected to occur in two stages. The first site settled on 9 August 2021 for a total of $3.2 million (GPT's 50.1% ownership) and the second site is expected to settle in May 2022 for a total of $7.5 million (GPT's 50.1% ownership).

## 12. Revision Of Previously Issued Financial Statements

**Implementation costs relating to Software as a Service (SaaS) platforms**

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

Under GPT's previous accounting policy, these costs were capitalised and amortised on a straight line basis over the length of time the benefits were expected to be received (refer to note 13(g)). GPT has updated its accounting policy to comply with the IFRIC agenda decision, and applied AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* to reflect this change.

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

The notes below disclose the impact of the change in accounting policy in the financial information of the Group at the beginning of the comparative period, during and at the end of the comparative period. Note 12(c) discloses the impact during and at the end of the current period.

### a) Adjustments as at 1 January 2020

**Consolidated Statement of Financial Position**

| (Extract) | 1 Jan 20 Prior year $M | Increase / (decrease) $M | 1 Jan 20 Restated $M |
|---|---|---|---|
| Assets | | | |
| **Non-current assets** | | | |
| Intangible assets | 35.3 | (16.6) | 18.7 |
| Deferred tax asset | 20.5 | 5.0 | 25.5 |
| **Total non-current assets** | **15,609.0** | **(11.6)** | **15,597.4** |
| **Total assets** | **15,867.8** | **(11.6)** | **15,856.2** |
| **Net assets** | **11,326.6** | **(11.6)** | **11,315.0** |
| Equity | | | |
| **Securityholders of other entities stapled to the Trust** | | | |
| Accumulated losses | (815.9) | (11.6) | (827.5) |
| **Total equity of other stapled securityholders** | **(446.6)** | **(11.6)** | **(458.2)** |
| **Total equity** | **11,326.6** | **(11.6)** | **11,315.0** |

## 12. Revision Of Previously Issued Financial Statements (continued)

### b) Adjustments to comparative information

| Consolidated Statement of Comprehensive Income (Extract) | 30 Jun 20 Prior year $M | Increase / (decrease) $M | 30 Jun 20 Restated $M |
|---|---|---|---|
| **Expenses** | | | |
| Management and other administration costs | 26.3 | 3.8 | 30.1 |
| Amortisation and impairment of software | 3.5 | (1.9) | 1.6 |
| **Total expenses** | **866.3** | **1.9** | **868.2** |
| **Loss before income tax** | **(512.6)** | **(1.9)** | **(514.5)** |
| Income tax expense | 6.5 | (0.6) | 5.9 |
| **Net loss for the half year** | **(519.1)** | **(1.3)** | **(520.4)** |
| **Total comprehensive loss for the half year** | **(521.9)** | **(1.3)** | **(523.2)** |
| **Net profit attributable to:** | | | |
| » Securityholders of other entities stapled to the Trust | 21.5 | (1.3) | 20.2 |
| **Total comprehensive income attributable to:** | | | |
| » Securityholders of other entities stapled to the Trust | 21.5 | (1.3) | 20.2 |
| **Basic earnings per stapled security attributable to the ordinary stapled securityholders of the GPT Group** | | | |
| Earnings per stapled security (cents per stapled security) – loss from continuing operations | (26.6) | (0.1) | (26.7) |

| Consolidated Statement of Financial Position (Extract) | 31 Dec 20 Prior year $M | Increase / (decrease) $M | 31 Dec 20 Restated $M |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 41.5 | (16.7) | 24.8 |
| Deferred tax asset | 9.6 | 5.0 | 14.6 |
| **Total non-current assets** | **14,658.7** | **(11.7)** | **14,647.0** |
| **Total assets** | **15,358.6** | **(11.7)** | **15,346.9** |
| **Net assets** | **10,889.2** | **(11.7)** | **10,877.5** |
| **Equity** | | | |
| **Securityholders of other entities stapled to the Trust** | | | |
| Accumulated losses | (788.9) | (11.7) | (800.6) |
| **Total equity of other stapled securityholders** | **(437.3)** | **(11.7)** | **(449.0)** |
| **Total equity** | **10,889.2** | **(11.7)** | **10,877.5** |

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 12. Revision Of Previously Issued Financial Statements (continued)

### b) Adjustments to comparative information (continued)

| Consolidated Statement Of Changes In Equity (Extract) | 30 Jun 20 Prior year $M | Increase / (decrease) $M | 30 Jun 20 Restated $M |
|---|---|---|---|
| **Equity attributable to other entities stapled to the General Property Trust** | | | |
| *Accumulated losses* | | | |
| Profit for the half year | 21.5 | (1.3) | 20.2 |
| **Total comprehensive income for the half year** | **21.5** | **(1.3)** | **20.2** |
| *Other entities stapled to the General Property Trust total equity* | | | |
| Profit for the half year | 21.5 | (1.3) | 20.2 |
| **Total comprehensive income for the half year** | **21.5** | **(1.3)** | **20.2** |
| **Total equity** | | | |
| Loss for the half year | (519.1) | (1.3) | (520.4) |
| **Total comprehensive loss for the half year** | **(521.9)** | **(1.3)** | **(523.2)** |
| **Transactions with Securityholders in their capacity as Securityholders** | | | |
| *Other entities stapled to the General Property Trust accumulated losses* | | | |
| **At 30 June 2020** | **(794.4)** | **(12.9)** | **(807.3)** |
| *Other entities stapled to the General Property Trust total equity* | | | |
| **At 30 June 2020** | **(444.5)** | **(12.9)** | **(457.4)** |
| *Total equity* | | | |
| **At 30 June 2020** | **10,785.3** | **(12.9)** | **10,772.4** |

| Consolidated Statement of Cash Flows (Extract) | 30 Jun 20 Prior year $M | Increase / (decrease) $M | 30 Jun 20 Restated $M |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Payments in the course of operations (inclusive of GST) | (141.6) | (3.8) | (145.4) |
| **Net cash inflows from operating activities** | **204.1** | **(3.8)** | **200.3** |
| **Cash flows from investing activities** | | | |
| Payments for intangibles | (10.4) | 3.8 | (6.6) |
| **Net cash outflows from investing activities** | **(266.7)** | **3.8** | **(262.9)** |

## 12. Revision Of Previously Issued Financial Statements (continued)

### c) Adjustments for the period to 30 June 2021

| Consolidated Statement of Comprehensive Income (Extract) | 30 Jun 21 Original policy $M | Increase / (decrease) $M | 30 Jun 21 New policy $M |
|---|---|---|---|
| **Expenses** | | | |
| Management and other administration costs | 33.8 | 2.2 | 36.0 |
| Amortisation and impairment of software | 3.3 | (2.2) | 1.1 |
| **Total expenses** | **224.6** | **–** | **224.6** |

| Consolidated Statement of Financial Position (Extract) | 30 Jun 21 Original policy $M | Increase / (decrease) $M | 30 Jun 21 New policy $M |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 41.3 | (16.7) | 24.6 |
| Deferred tax asset | 13.3 | 5.0 | 18.3 |
| **Total non-current assets** | **15,388.9** | **(11.7)** | **15,377.2** |
| **Total assets** | **15,706.0** | **(11.7)** | **15,694.3** |
| **Net assets** | **11,258.4** | **(11.7)** | **11,246.7** |
| **Equity** | | | |
| **Securityholders of other entities stapled to the Trust** | | | |
| Accumulated losses | (779.6) | (11.7) | (791.3) |
| **Total equity of other stapled securityholders** | **(426.6)** | **(11.7)** | **(438.3)** |
| **Total equity** | **11,258.4** | **(11.7)** | **11,246.7** |

| Consolidated Statement of Changes In Equity (Extract) | 30 Jun 21 Original policy $M | Increase / (decrease) $M | 30 Jun 21 New policy $M |
|---|---|---|---|
| **Transactions with Securityholders in their capacity as Securityholders accumulated losses** | | | |
| **At 30 June 2021** | **(779.6)** | **(11.7)** | **(791.3)** |
| *Other entities stapled to the General Property Trust total equity* | | | |
| **At 30 June 2021** | **(426.6)** | **(11.7)** | **(438.3)** |
| *Total equity* | | | |
| **At 30 June 2021** | **11,258.4** | **(11.7)** | **11,246.7** |

The remaining movements relating to the period ending 30 June 2021 are immaterial for the GPT Group.

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 13. Accounting Policies, Key Judgements and Estimates

### a) Basis of preparation

The financial report has been prepared:

- in accordance with the requirements of the Trust's Constitution, *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*;
- in accordance with the recognition and measurement requirements of the International Financial Reporting Standards (IFRSs) adopted by the International Accounting Standards Board (IASB);
- on a going concern basis. GPT has prepared an assessment of its ability to continue as a going concern, taking into account all available information for a period of 12 months from the date of these financial statements and future cashflow assessments have been made, taking into consideration appropriate probability-weighted factors. GPT is confident in the belief it will realise its assets and settle its liabilities and commitments in the normal course of business for at least the amounts stated in the financial statements. The net deficiency of current assets over current liabilities of $459.7 million arises as a result of the inclusion of borrowings due within 12 months (inclusive of $586.0 million of outstanding commercial paper). As set out in note 7, GPT has access to $1,847.6 million in undrawn financing facilities (prior to refinancing of the commercial paper). Refer to note 13(b) for further information on going concern;
- under the historical cost convention, as modified by the revaluation for financial assets and liabilities and investment properties at fair value through the Consolidated Statement of Comprehensive Income;
- using consistent accounting policies with adjustments to align any dissimilar accounting policies adopted by the controlled entities, associates or joint ventures; and
- in Australian dollars with all values rounded to the nearest hundred thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, unless otherwise stated.

This interim financial report does not include all the notes of the type normally included within the annual financial report. Therefore, it is recommended this report be read in conjunction with the annual financial report for the year ended 31 December 2020 and any public announcements made by GPT during the interim period in accordance with the continuous disclosure requirements of the ASX Listing Rules.

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

In accordance with Australian Accounting Standards, the stapled entity reflects the consolidated entity. Equity attributable to other stapled entities is a form of non-controlling interest and, in the consolidated entity column, represents the contributed equity of the Company.

As a result of the stapling, investors in GPT will receive payments from each component of the stapled security comprising distributions from the Trust and dividends from the Company.

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

#### Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of new and amended standards and interpretations commencing 1 January 2021 that have been adopted where applicable. The Group has restated comparative information to reflect the March 2021 IFRIC agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement* (IAS 38 *Intangible Assets*). Refer to note 12.

### b) Going concern

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

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

### c) Trade receivables

On 7 April 2020, the National Cabinet announced a mandatory commercial tenancy Code of Conduct. The Code of Conduct aims to help small and medium enterprise (SME) tenants with a turnover of less than $50 million, that qualify for the Federal Government's JobKeeper program, and are suffering financial stress or hardship. The Code of Conduct sets out principles to guide discussions between commercial landlords and SME tenants for temporary changes to leasing arrangements during the COVID-19 period and is legislated and regulated by the states and territories.

The application of the Code of Conduct requires GPT to engage with each of our SME tenants and provide cashflow support in a fair and proportionate manner during the COVID-19 period. Importantly, the Code of Conduct allows the Group to negotiate commercial outcomes on a case by case basis for those SMEs most impacted. While the majority of leasing deals under the Code of Conduct have now been finalised, some deals still remain unresolved. GPT is also engaging with its non-SME tenants who have sought assistance but are not eligible under the Code of Conduct. Assistance provided to tenants under the Code of Conduct has taken the form of rent waivers, rent payment deferral or a combination of both.

## 13. Accounting Policies, Key Judgements and Estimates (continued)

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

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

#### Rent waivers and other write-offs

Debts which management has determined will be subject to a rent waiver, or are otherwise uncollectible were written off at 30 June 2021, in accordance with the requirements of AASB 9 *Financial Instruments*. Bad debt write offs of $8.7 million (30 June 2020: $32.9 million) relating to COVID-19 abatements and other non recoverable amounts were recognised during the period. Waivers which have been reflected on invoices issued to tenants and which are not relating to previous outstanding debtors, have been shown as a reduction to rent from investment properties on the Consolidated Statement of Financial Performance.

#### Recoverability of receivables

At each reporting date, GPT assesses whether financial assets carried at amortised cost are 'credit-impaired' and recognises a loss allowance equal to the lifetime ECL. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset is expected to occur.

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

GPT analyses the age of outstanding receivable balances and applies historical default percentages adjusted for other current observable data as a means to estimate lifetime ECL. Other current observable data may include:

- forecasts of economic conditions such as unemployment, interest rates, gross domestic product and inflation;
- financial difficulties of a counterparty or probability that a counterparty will enter bankruptcy; and
- conditions specific to the asset to which the receivable relates.

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

As a result of COVID-19 GPT has reviewed its methodology to determine an estimated lifetime ECL, with historical default percentages no longer the most appropriate means of predicting future default events. At 30 June 2021, GPT has assessed the likelihood of future defaults and debt forgiveness taking into account several factors. These include the risk profile of the tenant, the asset location and tenant cash payment trends after the completion of rent relief agreements and other economic conditions impacting the tenants' ability to pay.

This resulted in an ECL allowance of $19.5 million being recognised as at 30 June 2021 (31 December 2020: $19.3 million). The remaining net balance of trade receivables (excluding accrued income and related party receivables) is $21.0 million (31 December 2020: $30.9 million).

### d) Revenue

#### Revenue from contracts with customers

Revenue is recognised over time if:

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

When the above criteria is not met, revenue is recognised at a point in time. Management have assessed that there were no significant changes to the recognition of revenue as a result of the COVID-19 pandemic.

#### Other revenue

Revenue from dividends and distributions is recognised when they are declared.

Interest income is recognised on an accrual basis using the effective interest method.

Management have assessed that there have been no significant changes to the recognition of other revenue as a result of the COVID-19 pandemic.

### e) Government grants

Government grants are accounted for under AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. The standard provides the option to present these amounts as income or as a reduction in expenses.

The Group has received $1.0 million in land tax relief (30 June 2020: $0.3 million). GPT has elected to present the amounts relating to land tax relief as income or a reduction in expenses depending on the underlying substance of the transactions for GPT. For the period ended 30 June 2020, the Group had received $2.8 million and had $1.3 million receivable under the Federal Government's JobKeeper program. GPT elected to present these amounts as a reduction in expenses.

### f) Leases

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

# Notes to the Financial Statements (continued)

Half year ended 30 June 2021

## 13. Accounting Policies, Key Judgements and Estimates (continued)

Lease liabilities are subsequently measured by:

» increasing the carrying amount to reflect interest on the lease liability;

» reducing the carrying amount to reflect the lease payments made; and

» remeasuring the carrying amount to reflect any reassessment or lease modifications.

Interest on the lease liability and any variable lease payments not included in the measurement of the lease liability are recognised in the Consolidated Statement of Comprehensive Income in the period in which they relate. Interest on lease liabilities included in finance costs in the Consolidated Statement of Comprehensive Income totalled $0.9 million for the half year (30 June 2020: $0.9 million).

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

Right-of-use assets are measured at cost less depreciation and impairment and adjusted for any remeasurement of the lease liability. The cost of the asset includes:

» the amount of the initial measurement of lease liability;

» any lease payments made at or before the commencement date less any lease incentives received;

» any initial direct costs; and

» restoration cost.

Right-of-use assets are depreciated on a straight-line basis from the commencement date of the lease to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term, unless they meet the definition of an investment property. Right-of-use assets which meet the definition of an investment property form part of the investment property balance and are measured at fair value in accordance with AASB 140 *Investment Property* (refer note 2 and following section on ground leases).

GPT's right-of-use assets are all property leases.

GPT determines the lease term as the non-cancellable period of a lease together with both:

» the periods covered by an option to extend the lease if it is reasonably certain to exercise that option; and

» periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

Management considers all the facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. This assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

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

GPT has assessed the right-of-use assets for impairment indicators in light of the COVID-19 pandemic and has calculated the recoverable amount where indicators exist. This has resulted in an impairment expense of $0.3 million for the half year (30 June 2020: nil).

#### Ground leases

A lease liability reflecting the leasehold arrangements of investment properties is separately disclosed in the Consolidated Statement of Financial Position and the carrying value of the investment properties is adjusted (i.e. grossed up) so that the net of these two amounts equals the fair value of the investment properties. The lease liabilities are calculated as the net present value of the future lease payments discounted at the incremental borrowing rate.

There were no changes to the incremental borrowing rate used for the measurement of lease liabilities as a result of the COVID-19 pandemic.

### g) IT development and software

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

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

Management have reviewed the impairment indicators for the half year including the COVID-19 pandemic and have recorded an impairment where appropriate. Management believe the carrying value reflects the recoverable amount.

### h) Inventories

Development properties held as inventory to be sold are stated at the lower of costs and net realisable value.

#### Cost

Cost includes the cost of acquisition, development, finance costs and all other costs directly related to specific projects including an allocation of direct overhead expenses.

#### Net realisable value (NRV)

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

» the most reliable evidence; and

» any events which confirm conditions existing at the half year end and cause any fluctuations of selling price and costs to sell.

Management have completed NRV assessments for each development for the half year taking into account COVID-19 on these estimates including its impacts on delivery timeframes and revenue assumptions, and has compared the results to the cost of each development. For the half year to 30 June 2021 an impairment expense reversal of $0.1 million (30 June 2020: $0.2 million impairment expense) was recognised.

## 13. Accounting Policies, Key Judgements and Estimates (continued)

### i) Security based payments

**Fair value of performance rights issued under Deferred Short Term Incentive (DSTI) and Long Term Incentive (LTI)**

The fair value of the performance rights is recognised as an employee benefit expense with a corresponding increase in the employee security scheme reserve in equity. For LTI, the fair value is measured at grant date. For DSTI, the fair value is measured at each reporting date until the performance rights are converted to securities. Total share based payment expense based on the fair value is recognised over the period from the service commencement date to the vesting date of the performance rights.

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

Non-market vesting conditions are included in the calculation of the number of rights that are expected to vest. At each reporting date, GPT revises its estimate of the number of performance rights that are expected to be exercisable and the employee benefit expense recognised each reporting period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the Consolidated Statement of Comprehensive Income with a corresponding adjustment to equity.

### j) New and amended accounting standards and interpretations commencing 1 January 2021

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

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period with the exception of new and amended standards and interpretations commencing 1 January 2021 that have been adopted where applicable. The Group has restated comparative information to reflect the March 2021 IFRIC agenda decision on *Configuration or Customisation Costs in a Cloud Computing Arrangement* (IAS 38 *Intangible Asset*). Refer to note 12.

### k) New accounting standards and interpretations issued but not yet applied

There are no new standards or amendments to standards relevant to the Group.

## 14. Events Subsequent to Reporting Date

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

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

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

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

Immediately prior to 30 June 2021, management consulted with the independent valuers to understand if any assumptions within their valuations required revisiting given the continued impact of the pandemic. All valuers confirmed that their valuations were appropriate as at 30 June 2021, noting that the valuations include stabilisation allowances and adjustments to market rents, downtime and incentives. On 27 July 2021, the Valuation Committee undertook a further review of the Group's valuations with internal tolerance checks undertaken on each asset assessing the potential impact of various scenarios. Directors are of the opinion that allowances already made within the valuations are sufficient and the impact on valuations of any additional allowances that may be required as a result of the impact of trading restrictions (considered under a number of scenarios) are within the normal tolerance set out within the valuation policy. Therefore, there have been no changes to the valuations subsequent to the valuation date.

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

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

On 16 August 2021, the Directors declared a distribution for the half year ended 30 June 2021 of 13.3 cents, being $254.8 million which is expected to be paid on 31 August 2021.

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

# Directors' Declaration

Half year ended 30 June 2021

In the Directors of the Responsible Entity's opinion:

a) The consolidated financial statements and notes set out on pages 22 to 49 are in accordance with the *Corporations Act 2001*, including:
   - » complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   - » giving a true and fair view of GPT's financial position at 30 June 2021 and of its performance for the half year ended on that date; and

b) There are reasonable grounds to believe that GPT will be able to pay its debts as and when they become due and payable. The net deficiency of current assets over current liabilities at 30 June 2021 of $459.7 million arises as a result of the inclusion of borrowings due within 12 months (inclusive of $586.0 million of outstanding commercial paper). GPT has access to $1,847.6 million in undrawn financing facilities (prior to refinancing of the commercial paper) as set out in note 7 to the financial statements.

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

This declaration is made in accordance with a resolution of the Directors.

**Vickki McFadden**
Chairman

**Bob Johnston**
Chief Executive Officer
and Managing Director

GPT RE Limited
Sydney
16 August 2021

# Independent Auditor's Report

## Independent auditor's review report to the unitholders of General Property Trust

### *Report on the half-year financial report*

#### *Conclusion*

We have reviewed the half-year financial report of General Property Trust (the Trust) and its controlled entities and GPT Management Holdings Limited (the Company) and its controlled entities (together, the GPT Group or the Group) during the half-year, which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration for the GPT Group.

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

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

2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### *Basis for conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

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

#### *Responsibilities of the directors for the half-year financial report*

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

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# Independent Auditor's Report (continued)

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

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

PricewaterhouseCoopers

PricewaterhouseCoopers

S. Horl

Susan Horlin
Partner

Sydney
16 August 2021

# Glossary

| Term | Meaning |
|---|---|
| **A-Grade** | As per the Property Council of Australia's 'A Guide to Office Building Quality' |
| **AFFO** | Adjusted Funds From Operations, defined as FFO less maintenance capex, leasing incentives and one-off items calculated in accordance with the Property Council of Australia 'Voluntary Best Practice Guidelines for Disclosing FFO and AFFO' |
| **AREIT** | Australian Real Estate Investment Trust |
| **ASX** | Australian Securities Exchange |
| **AUM** | Assets under management |
| **Bps** | Basis points |
| **Capex** | Capital expenditure |
| **CBD** | Central Business District |
| **CO2** | Carbon Dioxide |
| **CPI** | Consumer Price Index |
| **cps** | Cents per security |
| **DPS** | Distribution per security |
| **EBIT** | Earnings Before Interest and Tax |
| **EPS** | Earnings per security. Earnings per security is defined as Funds From Operations per security |
| **Free Cash Flow** | Operating cash flow less maintenance and leasing capex and inventory movements |
| **FFO** | Funds From Operations. Fund From Operations is defined as the underlying earnings calculated in accordance with the Property Council of Australia 'Voluntary Best Practice Guidelines for Disclosing FFO and AFFO' |
| **FUM** | Funds under management |
| **Gearing** | The level of borrowing relative to assets |
| **GFA** | Gross Floor Area |
| **GLA** | Gross Lettable Area |
| **GWOF** | GPT Wholesale Office Fund |
| **GWSCF** | GPT Wholesale Shopping Centre Fund |
| **HoA** | Heads of Agreement |
| **IFRIC** | IFRS Interpretations Committee |
| **IFRS** | International Finance Reporting Standards |
| **IPD** | Investment Property Databank |
| **IRR** | Internal Rate of Return |
| **LBP** | Logistics and Business Parks |
| **Major Tenants** | Retail tenancies including Supermarkets, Discount Department Stores, Department Stores and Cinemas |
| **MAT** | Moving Annual Turnover |
| **MER** | Management Expense Ratio, defined as management expenses divided by assets under management |
| **Mini-Major Tenants** | Retail tenancies with a GLA above 400 sqm not classified as a Major Tenant |
| **MTN** | Medium Term Notes |
| **N/A** | Not Applicable |
| **NABERS** | National Australian Built Environment Rating System |
| **NAV** | Net Asset Value |
| **Net Gearing** | Defined as debt less cash less cross currency derivative assets add cross currency derivative liabilities divided by total tangible assets less cash less cross currency derivative assets less right-of-use assets less lease liabilities - investment properties |
| **NLA** | Net Lettable Area |
| **NPAT** | Net Profit After Tax |
| **NTA** | Net Tangible Assets |

# Glossary

| Term | Meaning |
|---|---|
| **Ordinary Securities** | Those that are most commonly traded on the ASX. The ASX defines ordinary securities as those securities that carry no special or preferred rights. Holders of ordinary securities will usually have the right to vote at a general meeting of the company, and to participate in any dividends or any distribution of assets on winding up of the company on the same basis as other ordinary securityholders |
| **PCA** | Property Council of Australia |
| **Premium Grade** | As per the Property Council of Australia's 'A Guide to Office Building Quality' |
| **psm** | Per square metre |
| **PV** | Present Value |
| **Retail Sales** | Based on a weighted GPT interest in the assets and GWSCF portfolio. GPT reports retail sales in accordance with the Shopping Centre Council of Australia (SCCA) Guidelines |
| **ROCE** | Return on capital employed |
| **Specialty Tenants** | Retail tenancies with a GLA below 400 sqm |
| **sqm** | Square metre |
| **TR** | Total Return, calculated at the Group level as the change in Net Tangible Assets (NTA) per security plus distributions per security declared over the year, divided by the NTA per security at the beginning of the year |
| **TSR** | Total Securityholder Return, defined as distribution per security plus change in security price |
| **Total Tangible Assets** | Defined per the Constitution of the Trust and equals Total Assets less Intangible Assets reported in the Statement of Financial Position |
| **USPP** | United States Private Placement |
| **VWAP** | Volume weighted average price |
| **WACD** | Weighted average cost of dept |
| **WACR** | Weighted average capitalisation rate |
| **WALE** | Weighted average lease expiry |

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