



GARDA

GARDA Property Group

Annual Financial Report 2020

GARDA Property Group

Comprising the consolidated financial reports of
GARDA Holdings Limited (ABN 92 636 329 774)
and
GARDA Diversified Property Fund
(ARSN 104 391 273)



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GARDA Property Group

Annual Financial Report
30 June 2020

Comprising the combined consolidated financial reports of

GARDA Holdings Limited

ABN 92 636 329 774
Level 21, 12 Creek Street
Brisbane QLD 4000

and

GARDA Diversified Property Fund

ARSN 104 391 273



GARDA

DIRECTORS' REPORT

GARDA Property Group (**GARDA** or the **Group**) is an ASX-listed stapled entity whereby shares in GARDA Holdings Limited (**GHL** or the **Company**) are stapled to units in GARDA Diversified Property Fund (**GDF** or the **Fund**) on a one-for-one basis.

Shares of the Company and units of the Fund cannot be traded separately and may only be traded together as stapled securities.

The Directors of the Company and of GARDA Capital Limited as responsible entity for the Fund present their report and the consolidated financial statements for the year ended 30 June 2020 for both:

- the Group - comprising the Company, the Fund and their controlled entities; and
- the Company - comprising only the Company and its controlled entities.

The parent entity of the Group is GDF and, other than where noted in the Remuneration Report, comparative information for the 2019 financial year is for GDF.

DIRECTORS

The Directors of the Company and GARDA Capital Limited at any time during the financial year and up to the date of this report are listed below. The Directors are also directors of all Group subsidiaries.



Matthew Madsen
Executive Chairman
Appointed September 2011

Matthew has more than 20 years' experience in the funds management industry, predominantly in director and management roles. He has significant property and property finance experience, acting (including in his role for the GARDA Capital Group) as a finance intermediary focused on larger construction and property investment funding.

Matthew is Chair of the Advisory Board for residential land developer, Trask Development Corporation.

Matthew holds a Diploma in Financial Services, a Diploma in Financial Markets and is an affiliate member of the Securities Institute of Australia.

Interests in securities:
Ordinary securities – 8,108,755
ESP securities – 5,960,000



Paul Leitch

Independent Director

Appointed March 2020

Member of the Audit and Risk Committee

Chair of the Nomination and Remuneration Committee

Paul is an experienced senior executive, board member and advisor with public and private sector organisations. He is the past Chief Operating Officer for QIC, the Queensland based institutional fund manager. Most recently, he was Leader of the Brisbane Office of the Nous Group, Australia's largest privately-owned management consultancy firm. Paul has a special interest in family-owned and operated companies and is a director of Charles Porter and Sons and advisor to the Hewitt Group. He is also Chair of Pathways to Resilience, a Queensland charitable organisation.

Paul holds a Bachelor of Arts (Music) and post graduate qualifications in education. He is a member of the Australian Institute of Company Directors and the Australian Human Resources Institute.

Interests in securities:

Ordinary securities – 24,411



Morgan Parker

Independent Director

Appointed December 2018

Member of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Morgan has 25 years' experience as a real estate investor, developer and banker. Morgan is currently a non-executive director of SunCentral Maroochydore Pty Ltd, the government-owned company responsible for development of Maroochydore City Centre on Queensland's Sunshine Coast, Newcastle Airport and Saudi Entertainment Ventures. He has previously worked for Morgan Stanley, Lendlease and Macquarie Group, and his most recent executive role was as Chief Operating Officer at Dubai Holding.

Interests in securities:

Nil



Philip Lee

Non-Executive Director

Appointed May 2015

Chair of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Philip has over 33 years' experience in stockbroking, equities research and corporate finance. He joined Morgans in 1986 and has served as a Director of Morgans and Joint Head of Corporate Finance. Philip currently holds the position of Executive Director Corporate Advisory, primarily focused on raising capital for growing companies, and chairs Morgans Risk and Underwriting Committees.

Philip holds a Bachelor of Commerce from the University of Canterbury and is a Member of the Australian Institute of Company Directors, a Senior Fellow of Finsia and a Master Practitioner Member of the Stockbrokers and Financial Advisers Association.

Interests in securities:

Ordinary securities – 216,828



Andrew Thornton

Non-Executive Director

Appointed March 2020

Member of the Audit and Risk Committee

Member of the Nomination and Remuneration Committee

Andrew is Joint Managing Director and major shareholder of Great Western Corporation, a private group with interests in commercial and industrial property, general manufacturing, agricultural equipment and investments.

He joined Great Western Corporation in 1995 gaining experience in accounting, finance, investment and management before becoming Joint Managing Director in 2010.

Andrew previously served as Treasurer of both the Volvo Truck & Bus Dealer Council and the Daimler Truck Dealer Council. He is currently Company Secretary of HGT Investments Pty Ltd, GARDA Property Group's largest securityholder.

Andrew holds a Bachelor of Business and is a member of the Australian Institute of Company Directors

Interests in securities:

Ordinary securities – 1,013,505



Mr Mark Hallett

Executive Director

Appointed January 2011 (Executive Director from February 2020)

Mark has more than 30 years' industry and legal experience. A qualified solicitor, he has a range of diverse industry experiences across all aspects of corporate litigation, restructuring and commercial property. Mark was legal practice director of Hallett Legal and is now a consultant at Macpherson Kelley.

Mark has managed successful property syndicates for business associates and continues to advise participants in the industry on property investment, legal and corporate restructuring.

Interests in securities:

Ordinary securities – 1,302,469

ESP securities – 1,000,000

COMPANY SECRETARY



Mr Lachlan Davidson
Company Secretary
Appointed July 2016

Lachlan joined GARDA in 2014 and is a member of the senior leadership team. He is responsible for the legal, company secretarial and compliance monitoring activities of the Group.

Lachlan has over 20 years' experience in corporate law, fundraising and managed investments. He has worked for Minter Ellison, and both Linklaters and McDermott Will & Emery in London. Lachlan was General Counsel at Golding Contractors, one of Australia's largest private civil and mining contractors. Before that, he was General Counsel of the largest independent investment bank in the Middle East and was involved in multi-jurisdiction fundraisings of over \$US5 billion across IPOs and managed private equity funds.

Lachlan holds a Law degree, a BSc in Genetics and Biochemistry, and an MBA. He is a JP (Qualified), and a Graduate of the AICD Directors Course.

Interests in securities:
Ordinary securities – 213,330
ESP securities – 560,000

MEETINGS OF DIRECTORS

Meetings of the Directors of the Company held since internalisation were as follows¹:

	Board of Directors		Nomination and Remuneration Committee		Audit and Risk Committee	
	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend	Meetings attended	Meetings eligible to attend
Matthew Madsen ²	8	8	2	invited	2	invited
Morgan Parker	8	8	2	2	2	2
Paul Leitch	4	4	1	1	1	1
Andrew Thornton	4	4	1	1	1	1
Philip Lee	8	8	2	2	2	2
Mark Hallett	8	8	2	invited	2	invited

PRINCIPAL ACTIVITIES

GARDA is an internally managed real estate investment, development and funds management group. The Fund invests in, owns, manages and develops commercial and industrial real estate in accordance with the provisions of the Fund's constitution. The Company, through its subsidiaries, acts as the responsible entity of the Fund.

¹ Pursuant to the internalisation transaction, the Company was incorporated on 20 September 2019 and GARDA Capital Limited was acquired by the Group on 29 November 2019.

² Matthew Madsen and Mark Hallett were not members of the Nomination and Remuneration Committee or the Audit and Risk Committee however attended meetings by invitation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Changes in the state of affairs of GARDA during the financial year are set out within the financial report. There were no significant changes in the operating activities of the Group (including controlled entities) during the year but, as discussed below, there was a fundamental change in corporate structure.

On 29 November 2019, GARDA was constituted in its current form when two ASX listed entities, GARDA Diversified Property Fund (previously defined as GDF or the Fund) (ASX: GDF) and GARDA Capital Group (ASX: GCM), were combined pursuant to the internalisation.

Prior to the internalisation:

1. GDF was an externally managed real estate investment trust; and
2. GARDA Capital Group was a stapled entity comprising:
 - GARDA Capital Limited, the responsible entity for GDF; and
 - GARDA Capital Trust, a unit trust whose primary asset was an 11.8% equity interest in GDF.

The internalisation transaction involved two concurrent events:

1. the establishment of the Group through the stapling of GDF units to shares in the newly created GHG on a one for one basis; and
2. the acquisition by the Group of 100% of GARDA Capital Group.

GARDA is now an ASX-listed, internally managed, stapled, real estate group that trades under the ASX ticker "GDF". GARDA continues to undertake the operations that were performed by its predecessor entities prior to the internalisation.

DIVIDENDS AND DISTRIBUTIONS

The table below provides details of dividend and distributions paid by GARDA and the Fund in respect of the financial year:

	Dividend per security	Distribution per security	Total per security	Total \$000	Franked amount	Record date	Payment date
2020							
Interim	-	2.25c	2.25c	3,664	-	26 Sep 19	16 Oct 19
Interim	-	1.50c	1.50c	2,782	-	19 Nov 19	4 Dec 19
Interim ³	-	0.75c	0.75c	1,517	-	31 Dec 19	22 Jan 20
Interim ³	-	2.25c	2.25c	4,704	-	23 Mar 20	16 Apr 20
Final ³	-	1.80c	1.80c	3,763	-	30 Jun 20	15 Jul 20
	-	8.55c	8.55c	16,430	-		
2019							
Interim	-	2.25c	2.25c	3,115	-	28 Sep 18	23 Oct 18
Interim	-	2.25c	2.25c	3,565	-	31 Dec 18	21 Jan 19
Interim	-	2.25c	2.25c	3,565	-	29 Mar 19	16 Apr 19
Final	-	2.25c	2.25c	3,565	-	28 Jun 19	20 Aug 19
	-	9.00c	9.00c	13,810	-		

³ Total distributions exclude distributions paid to treasury securities held by the Group.

REVIEW OF OPERATIONS AND RESULTS

The following discussion is in respect of the operations and results of the Group for the year ended 30 June 2020.

Strategy

GARDA's objective is to deliver enduring value to our stakeholders through our expertise in real estate. GARDA currently has a particular strategic focus on equity investment into the industrial and commercial office sectors and debt investment into residential developments.

GARDA's size provides it with the scale necessary to compete in its target markets but also the agility to adjust its investment focus in anticipation of, or in response to, changing market conditions. Recent active decisions taken by the Group in support of its strategy include:

- acquisitions in the Brisbane industrial market;
- buying and developing prime industrial and commercial sites rather than acquiring completed buildings on unattractive pricing and leasing metrics;
- deploying debt capital into residential developments; and
- optimally managing its corporate and capital structure to enhance returns per security.

Operational Highlights

Throughout the financial year, GARDA continued to execute its strategy:

- \$31,345,000 (plus costs) was spent to acquire four industrial properties in Acacia Ridge and Archerfield adjacent to the Acacia Ridge Intermodal Rail Terminal;
- \$41,000,000 (plus costs) secured two industrial and warehousing distribution assets in Morningside;
- a new 5,702m² whole-of-building lease was executed at Box Hill for a seven-year term commencing in December 2020;
- favourable leasing outcomes were achieved in Cairns and Morningside with positive engagement with prospective tenants occurring at other buildings;
- development works commenced at the Berrinba and Wacol industrial sites with completion expected early in the 2021 financial year;
- \$5,155,000 in capital expenditure was invested pursuant to the Group's capital improvements program, with the majority spent on 7-19 Lake Street, Cairns;
- \$37,500,000 of new equity was raised; and
- \$200,000,000 new syndicated debt facility structure, \$100,000,000 of interest rate swap protection was secured and the internalisation transaction was successfully completed.

Financial Performance

Statutory Profit and FFO

GARDA recorded statutory net profit after tax for the year of \$5,567,000 (2019: \$28,780,000).

The profit for the year includes items which are non-cash in nature, incur infrequently and/or relate to realised or unrealised changes in the values of assets and liabilities. Accordingly, in the opinion of the Directors, statutory

profit should be adjusted to allow securityholders to gain a better understanding of GARDA's operating profit or funds from operations (FFO)⁴.

The following table provides a reconciliation of GARDA's statutory profit and FFO:

	2020	2019
	\$000	\$000
FFO ⁵	16,622	13,192
Fair value movement in investment properties		
Increase in independent valuations ⁶	4,110	17,100
Acquisition costs ⁷	(4,494)	(786)
Capital additions and capitalised costs ⁸	(5,614)	(6,380)
Other ⁹	(998)	(940)
Fair value movement of derivative financial instrument	(1,425)	(1,951)
Gain on sale of investment properties	-	1,550
Lease cost and incentives amortisation	(864)	(981)
Rent free income	222	279
Straight-lining of rental income	1,372	1,077
Depreciation – Property, plant and equipment	(22)	-
Movements in right to use assets and lease liabilities	36	-
Capitalisation of interest of development properties ¹⁰	(724)	-
Non-underlying and non-recurring revenue ¹¹	-	8,000
Non-underlying and non-recurring expenses ¹²	(1,712)	(1,380)
Distributions on treasury stock and unvested GARDA ESP securities ⁵	(942)	-
Profit after tax for the year	5,567	28,780
Income tax benefit	(93)	-
Profit before income tax¹³	5,474	28,780
Distributions paid	17,372	13,810
Distribution payout ratio – FFO	104.5%	104.7%

⁴ FFO is the Group's underlying and recurring earnings from its operations. It is determined by adjusting statutory net profit (under AIFRS) for certain non-cash and other items. FFO has been determined based on guidelines established by the Property Council of Australia and is intended as a supplementary measure of operating performance. FFO is not calculated in accordance with Australian Accounting Standards and has not been audited or reviewed by the auditor of the Group.

⁵ FFO has been adjusted to present on a fully diluted basis and adjusts for the distributions paid and received for treasury stock and GARDA ESP securities. Adjustments to reflect FFO on a diluted basis, together with adjustments for Botanicca 9 interest expense (refer footnote 10 below) and corporate expense allocations for segments as per AASB, result in FFO differing from segment profit in note 3. FFO has been reconciled to statutory profit as per table above and segment profit has been reconciled to statutory profit in note 3.

⁶ Relates to gross movement in independent valuations between 30 June 2019 and those performed in December 2019 and June 2020.

⁷ Relates to due diligence costs and stamp duty for Acacia Ridge and Morningside properties acquired during the year.

⁸ Relates to capital expenditure and other capitalised costs on properties prior to independent valuation.

⁹ Refer note 10. The net amount relates to leasing costs, rent free income and straight-lining of rent.

¹⁰ Bot 9 borrowing costs expensed in statutory profit but added back for FFO purposes. The accounting standards require borrowing cost capitalisation to cease on substantial completion of projects with no allowance for a period of time for leasing up of property. The expense added to FFO represents borrowings cost capitalisation benefit for the leasing up period which is a critical component for project completion.

¹¹ Prior year amount relates to cash of \$8,000,000 from settlement of litigation matter.

¹² Relates to security-based payment expense of \$444,000 and internalisation expense of \$1,268,000. Prior year amounts relate to litigation costs of \$680,000 in relation settlement of a litigation matter and \$700,000 for internalisation expenses.

¹³ Refer note 3 for segment profit reconciliation to net profit before income tax.

COVID-19

COVID-19 had minimal impact on GARDA's revenue in the financial year with insignificant amount of rent waived and less than \$330,000 deferred but still expected to be received. Since the end of the financial year, this favourable rental collection profile has continued.

Financial Position

Key Metrics

	2020	2019
Total assets (\$000)	477,269	356,334
Net assets (\$000)	280,558	217,096
Net tangible assets (\$000)	246,972	217,096
Net debt (\$000) ¹⁴	167,627	108,300
Gearing ¹⁵	36.7%	32.2%
Stapled securities issued ¹⁶ (000)	208,571	158,445
NAV per stapled security	1.35	1.37
NTA per stapled security	1.18	1.37

Issued Capital

	2020
GDF units at 1 July 2019	158,444,594
Acquisition – Acacia Ridge and Archerfield (\$1.36 per security)	4,411,765
Placement (\$1.40 per security)	22,500,000
Internalisation (\$1.40 per security)	42,288,002
GARDA stapled securities	227,644,361

At the commencement of the financial year, GDF had 158,444,594 issued units. As a result of the Acacia Ridge and Archerfield acquisitions, a \$31,500,000 placement and the subsequent internalisation transaction, the Group had 227,644,361 stapled securities on issue at 30 June 2020.

Included in GARDA's 227,644,361 issued securities at 30 June 2020 are 9,233,693 stapled securities (treasury securities) held by the Group itself. Immediately following the internalisation there were 21,900,363 treasury securities but 6,666,670 were used to extinguish a loan facility and another 6,000,000 were transferred under the GARDA employee security plan (with securityholder approval).

Pursuant to Australian Accounting Standards, treasury securities have been deducted from equity in GARDA's Statement of Financial Position, as detailed in note 18. Further, distributions received by the Group from treasury securities have been eliminated from income in GARDA's Statement of Profit or Loss and Other Comprehensive Income.

Also included in GARDA's 227,644,361 issued securities are 9,840,000 securities issued under the GARDA employee security plan. Further details are provided in the Remuneration Report.

¹⁴ Calculated as total debt less cash.

¹⁵ Calculated as (total debt less cash) / (total assets less cash).

¹⁶ Refer Contributed Equity note 18 – issued capital excludes 9,233,693 treasury securities and 9,840,000 securities issued under the GARDA ESP (including ESP securities that have vested).

Investment Properties

As at 30 June 2020, the Group held 18¹⁷ industrial and commercial investment properties along the eastern seaboard of Australia. Five of these properties were externally valued at June 2020, representing 27.8% of the property portfolio by value.

The balance of the portfolio was at Directors' valuation having regard to previous external valuations (the most recent being in December 2019), value-accretive capital expenditure and comparable sales evidence.

		2020	2019
		\$000	\$000
Established properties			
Acacia Ridge	38 Peterkin Street	6,000	-
Archerfield	839 Beaudesert Rd	6,000	-
Box Hill	436 Elgar Road	33,250	31,500
Cairns	9-19 Lake Street	58,563	55,000
Cairns	26-30 Grafton Street	2,000	2,000
Heathwood	67 Noosa Street	11,250	10,500
Lytton	142-150 Benjamin Place	8,725	9,500
Mackay	69-79 Diesel Drive	30,100	30,000
Morningside	326 & 340 Thynne Road	41,625	-
Pinkenba	70-82 Main Beach Road	20,500	20,000
Richmond	572-576 Swan Street	53,688	53,000
Richmond	588A Swan Street	59,042	62,800
Varsity Lakes	154 Varsity Parade	12,000	12,750
Wacol	41 Bivouac Place	39,000	35,250
		381,743	322,300
		2020	2019
		\$000	\$000
Projects			
Acacia Ridge	56 Peterkin Street	6,808	-
Acacia Ridge	69 Peterkin Street	11,079	-
Berrinba	1-9 Kellar St	7,346	3,000
Wacol	498 Progress Road	9,221	6,500
		34,454	9,500
		-	1,006
Value Accretive Additions			
GHL properties			
Townsville	30 Palmer Street	1,250	-
Total investment properties		417,447	332,806

The weighted average capitalisation rate (WACR) was 6.60% across the portfolio at June 2020, compared with 6.79% at June 2019.

¹⁷ The Group also owns a block of land in Townsville, independently valued at \$1,250,000 that was acquired as part of the internalisation transaction.

The total value of GARDA's investment properties increased by \$84,641,000 during the financial year to \$417,447,000 (2019: \$332,806,000). This 25 % increase is primarily attributed to:

- acquisition of four industrial properties in Acacia Ridge and Archerfield for \$31,000,000 plus costs;
- acquisition of two industrial warehousing and distribution assets in Morningside for \$41,000,000 plus costs; and
- development works at Berrinba and Wacol for \$6,770,000.

Borrowings

The Group's total borrowings at 30 June 2020 were \$188,115,000 (2019: \$128,517,000) leaving headroom of \$11,885,000 on existing \$200,000,000 debt facilities with ANZ Banking Group and St.George Bank.

The debt facilities with ANZ and St.George were secured in March 2020 providing GARDA with additional borrowing capacity under a common terms structure. The tenor of the facilities is three years (expiring March 2023).

Two debt facilities totaling \$11,970,000 were assumed by the Group as a result of the internalisation. These facilities were repaid during the financial year:

1. a \$10,000,000 facility was repaid through the transfer of 6,666,670 stapled securities out of treasury stock and a cash repayment of \$1,000,000; and
2. a \$1,970,000 facility was repaid with cash, after receiving approval from ASIC.

As at 30 June 2020, GARDA's all in cost of debt was approximately 2.40% (2019: 3.75%) and its gearing¹⁸ was 36.7% (2019: 32.5%).

Derivatives

On 4 March 2020, GARDA replaced its existing \$60,000,000, 2.68%, July 2022 interest rate swap with a new \$100,000,000 hedge comprising:

- a \$70,000,000 interest rate swap for a term of seven years at a rate of 0.81%; and
- a \$30,000,000 interest rate swap for as term of 10 years at a rate of 0.98%.

Outlook

The Group will continue to execute its strategy in the 2021 financial year with key objectives including:

- leasing the 7,109m² Botanicca 9 commercial office building in Richmond;
- completing the development and leasing the balance of the new 5,660m² industrial property at Berrinba;
- completion of the development of the new 6,000m² industrial property at Wacol;
- commencing development of the Acacia Ridge industrial property;
- deploying additional capital into the Group's residential development debt financing operations;
- managing ongoing capital requirements and gearing levels; and
- being vigilant for strategically consistent, value accretive, acquisition opportunities.

¹⁸ Calculated as (total debt less cash) / (total assets less cash)

SUBSEQUENT EVENTS

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has a minimal impact to the Group up to 30 June 2020, it is not practicable to estimate the full potential of any impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any further economic stimulus that may be provided.

USG Boral has committed to a five year lease for approximately half of the building (2,925m²) currently under construction at 1-9 Kellar Street, Berrinba. The lease will commence in November 2020 following anticipated construction completion in September 2020.

YHI Corporation has committed to a 10 year lease for the building (6,000 m²) currently under construction at 498 Progress Road, Wacol. The lease will commence upon completion of construction which is expected to be in the first half of 2021.

Austrans, an existing tenant at 38 Peterkin Street, Acacia Ridge, has committed to a new seven year lease for approximately half of Stage 1 of Acacia Ridge to be built at 69 Peterkin Street.

The Queensland Department of Transport and Main Roads has been a tenant in Cairns Corporate Tower since 2002 and has recently committed to a new 10 year lease across 3,456m² representing 24% of Cairns Net Lettable Area.

Otherwise, there are no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- GARDA's operations in future financial years;
- the results of those operations in future years; or
- the state of affairs of GARDA in future years.

ENVIRONMENTAL ISSUES

The Group's operations were not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Directors believe GARDA has adequate systems in place for the management of its environmental requirements and are not aware of any breach of those environmental requirements.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITOR

GARDA has agreed to indemnify current and former directors and certain key officers against all liabilities to another person (other than the Group or a related entity) that may arise from their position as director or employee of the Group, except where the liability arises out of conduct involving lack of good faith. The agreement stipulates that the Group will meet the full amount of any such liabilities, including costs and expenses.

The indemnities were limited as required under the Corporations Act 2001.

The Group has paid insurance premiums on behalf of its officers for liability and legal expenses for the year ended 30 June 2020. The relevant insurance contracts insure against certain liability (subject to specified exclusions) for persons who are or have been directors or officers of the Group. Details of the nature of the liabilities covered or the amount of the premium paid have not been included, as such disclosure is prohibited under the terms of the relevant contracts.

The Group has not indemnified its auditor.

PROCEEDINGS ON BEHALF OF THE GROUP

No person has applied for leave of Court to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purposes of taking responsibility on behalf of the Group for all or any part of those proceedings.

ROUNDING

The Group is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest \$1,000, or in certain cases, to the nearest dollar.

AUDIT AND NON-AUDIT SERVICES

The Group's auditor is Pitcher Partners. Prior to their appointment as auditors in December 2019, Pitcher Partners provided an Independent Limited Assurance Report in relation to the internalisation transaction.

Non-audit services in the form of regulatory services and business advisory services were provided by the Group's auditor, Pitcher Partners, during the year (refer to note 21 for details).

The Directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermines the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants (including Standards)*.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* may be found following the Remuneration Report.

REMUNERATION REPORT (Audited)

NOMINATION AND REMUNERATION COMMITTEE

The Board has appointed a Nomination and Remuneration Committee (**NRC**). The NRC oversees GARDA's remuneration framework and monitors remuneration outcomes. In doing so, it takes into account the interests of securityholders and the behaviours the Group wishes to promote.

The Board approves and reviews the remuneration of GARDA's Key Management Personnel (**KMP**) on the recommendation of the NRC.

During the financial year the members of the NRC were:

Director	Role	
Paul Leitch	Independent Director, Chair of NRC	Appointed March 2020
Morgan Parker	Independent Director, Member of NRC	
Philip Lee	Non-executive Director, Member of NRC	
Andrew Thornton	Non-executive Director, Member of NRC	Appointed March 2020
Mark Hallett	Executive Director, Member of NRC	Resigned February 2020 ¹⁹

The NRC operates independently of GARDA management and may engage remuneration advisers directly.

Management makes recommendations to the NRC in relation to the development and implementation of reward strategy and structure.

REMUNERATION POLICY

Objective

The objective of the Group's remuneration framework is to ensure rewards for performance are competitive and appropriate for the results delivered. The framework aligns individual remuneration and rewards with achievement of strategic objectives and creation of value for securityholders and conforms with market practice.

The Directors ensure that executive remuneration and rewards satisfy the following key criteria:

- competitive and reasonable;
- acceptable to securityholders;
- alignment of performance and compensation;
- transparency; and
- capital management.

GARDA strives to create a remuneration framework that drives a performance culture, ensuring there is a strong link between executive pay and the achievement of Group strategies and value to securityholders.

¹⁹ Mr Hallett resigned from the NRC on his status changing from Non-executive to Executive Director.

Relationship to Securityholder Wealth

The short and long-term components, including financial and non-financial measure, of KMP remuneration are designed to create long-term, sustained securityholder value. When setting performance targets, potential quantum of remuneration and the split between fixed and variable remuneration, the Board has regard to factors including the following:

- specific role and responsibilities of the KMP;
- execution of Group strategy;
- value of investment portfolio, net asset value (NAV) and NTA;
- funds from operations; and
- total securityholder returns.

Group Performance in 2020

The overall level of KMP compensation considers the performance of the Group²⁰ and takes into consideration:

		2020	2019	2018	2017	2016
Assets under management	\$'000	477,269	356,334	290,609	200,644	156,371
NTA per security	\$	1.18	1.37	1.28	1.21	1.13
NAV per security	\$	1.35	1.37	1.28	1.21	1.13
FFO	\$'000	16,622	13,192	11,210	10,730	9,076
Distributions	\$'000	16,430	13,810	11,284	10,124	8,497
Distributions per security ²¹	cents	8.55	9.00	9.00	9.40	9.00

For the financial year ended 30 June 2020, the NRC has taken into consideration that GARDA completed significant, strategic transactions and undertakings including:

- \$72,000,000 of real estate acquisitions with the total value of the portfolio increasing from \$332,806,000 to \$417,447,000;
- \$37,500,000 of new equity being raised via placement;
- the internalisation transaction;
- strong leasing outcomes in Box Hill, Cairns and Morningside;
- commencement of development works at Berrinba and Wacol totalling \$6,770,000 and capital improvement expenditure of \$5,155,000;
- structuring of debt facilities into a single, \$200,000,000 syndicated loan facility; and
- securing \$100,000,000 of interest rate swap protection at historically low rates.

While GARDA's security price has, like most other REITs, been negatively impacted by COVID-19 sentiment, GARDA's FFO and distributions have been minimally impacted. Securityholders have received distributions of 8.55 cents per security for the financial year representing a payout ratio of 104.5% based on the FFO for the year.

²⁰ Since internalisation on 29 November 2019. Date for prior periods is in respect of the former standalone entities, GDF and GARDA Capital Group.

²¹ Actual distribution rate per security assuming holding of security from 1 July 2019 to 30 June 2020.

ELEMENTS OF REMUNERATION – NON-EXECUTIVE DIRECTORS

Fees and payments to Non-executive Directors (including Independent Directors) reflect the market in line with the demands that are made on, and the responsibilities of, the Directors. The Board determines remuneration of Non-executive Directors within the maximum amount approved by securityholders from time to time. This maximum currently stands at \$600,000 per annum in total for fees to be divided among the Non-executive Directors in such a proportion and manner as they agree. Fees are set so that:

- GARDA Non-executive Directors are remunerated fairly for their services, recognising the workload and levels of skills and experience required for the role;
- GARDA can attract and retain talented Non-executive Directors; and
- Fees are in line with market practice.

Non-executive Directors are paid a fixed remuneration comprising base fees and superannuation. Non-executive Directors do not receive bonus payments or participate in security-based compensation plans and are not provided with retirement benefits other than statutory superannuation.

ELEMENTS OF REMUNERATION – EXECUTIVES

Fixed Remuneration

All employees receive a remuneration package that includes a fixed pay component. The fixed remuneration comprises, cash salary, superannuation and other salary sacrificed benefits.

The fixed pay is a set amount to reflect the role complexity, responsibilities and skill levels required, with cognisance to the market.

Short Term Incentives

Short term incentives are cash payments, without forfeiture provisions, that may be made at the discretion of the Board.

The purpose of short term incentives is to reward individuals for assisting with the achievement of GARDA's strategic objectives. No short term incentives are based on profit measures only.

Long Term Incentives

The establishment of the GARDA Employee Security Plan (**GARDA ESP**) was approved by securityholders at the Group's 2019 annual general meeting on 6 March 2020. It replaces the former GARDA Capital Group employee security plan.

The GARDA ESP is designed to:

- assist with the attraction and retention of Executive Directors, senior managers and employees;
- motivate and drive performance at both the individual and Group level; and
- strengthen alignment between participants and securityholder interests.

All Executive Directors and employees of GARDA are considered for participation in the GARDA ESP. Grants to Executive Directors are subject to securityholder approval.

Participation in the GARDA ESP is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The vesting of securities occurs over a two to three-year period, subject to the participant remaining an employee of the Group.

The KMP who participated in the issue of securities under the ESP were provided limited recourse loans on the grant date of an amount equal to the application price of the securities (market price per security on grant date).

Interest on the limited recourse loans for any particular year is equal to the Australian Tax Office FBT benchmark interest rate. Interest is serviced through distributions and dividends payments with any excess applied to reduce the principal of the loan.

KEY MANAGEMENT PERSONNEL - 2020

The Remuneration Report outlines remuneration for those people considered to be KMP of the Group during the year ended 30 June 2020. KMP are employees with the authority and responsibility for planning, directing and controlling the activities of GARDA and include:

- Independent Directors
- Non-executive Directors;
- Executive Directors, including the Executive Chairman; and
- Senior executives.

Details of the KMP who held office with GARDA during the reporting period are summarised below:

KMP	Title	Appointment Date
Independent Directors and Non-executive Directors		
Paul Leitch	Independent Director	20 March 2020
Morgan Parker	Independent Director	13 December 2018
Philip Lee	Non-executive Director	21 May 2015
Andrew Thornton	Non-executive Director	20 March 2020
Executive Directors		
Matthew Madsen	Executive Chairman	23 January 2017
	Managing Director	22 September 2011
Mark Hallett ²²	Executive Director	31 January 2011
Senior Executives		
Lachlan Davidson	General Counsel	13 January 2014
	Company Secretary	28 July 2016
David Addis	Chief Operating Officer	18 March 2019
Mark Scammells	Director, Projects and Acquisitions	30 September 2019

Remuneration balances disclosed in the Remuneration Report are effective from 29 November 2019, representing the internalisation transaction occurring on 29 November 2019. For the period from 1 July 2019 to the internalisation date, GDF was externally managed by GARDA Capital Limited and KMP were employed and remunerated by GARDA Capital Limited.

²² Mr Hallett's status changed from Non-executive Director to Executive Director in February 2020.

REMUNERATION OF KMP

Summary

The table below outlines the total remuneration received by KMP as employees of GARDA Holdings Limited in the year ended 30 June 2020. The Remuneration Report is effective from 29 November 2019 (date of internalisation) to 30 June 2020.

		Salary & Fees ²³	Non-Cash Benefits	Short Term Incentive	Super	Long Service Leave	GARDA ESP	Total	Perform. Related
Non-executive Directors									
P Leitch ²⁴	2020	20,899	-	-	1,985	-	-	22,884	-
M Parker ²⁵	2020	36,881	-	-	3,504	-	-	40,385	-
P Lee	2020	36,881	-	-	3,504	-	-	40,385	-
A Thornton ²⁴	2020	20,899	-	-	1,985	-	-	22,884	-
Executive Directors									
M Madsen	2020	435,342	3,945	-	10,501	358	349,609	799,756	43.7%
M Hallett	2020	43,750	-	-	-	-	3,240	46,990	6.9%
Executives									
D Addis	2020	184,981	3,945	40,000	14,894	379	30,460	274,660	25.7%
L Davidson ²⁶	2020	135,682	-	40,000	12,675	5,373	6,491	200,221	23.2%
M Scammells	2020	144,231	3,945	-	14,786	166	16,577	179,705	9.2%
Total		1,059,546	11,835	80,000	63,834	6,276	406,377	1,627,870	

Equity Interests

As at the date of this report, the equity interests of each KMP in the Group were as follows:

	Ordinary Securities	ESP Securities ²⁷	Total
Non-executive Directors			
P Leitch	24,411	-	24,411
M Parker	-	-	-
P Lee	216,828	-	216,828
A Thornton	1,013,505	-	1,013,505
Executive Directors			
M Madsen	8,108,755	5,960,000	14,068,755
M Hallett	1,302,469	1,000,000	2,302,469
Executives			
D Addis	-	800,000	800,000
L Davidson	213,330	560,000	773,330
M Scammells	-	800,000	800,000
Total	10,879,298	9,120,000	19,999,298

²³ Includes any change in accruals for annual leave.

²⁴ Mr Leitch and Mr Thornton were appointed to the Board on 20 March 2020.

²⁵ Mr Parker was appointed to the Board on 13 December 2018.

²⁶ 100,000 GARDA Capital Group ESP securities issued to Mr Davidson on 13 November 2017 vested on the second anniversary of their issue 13 November 2019. The fair value for these securities were \$0.11. Another 100,000 GARDA Capital ESP securities issued to Mr Davidson on 13 November 2017 with a vesting date of 13 November 2020 vested concurrently with the internalisation transaction, in accordance with the terms of the ESP. The fair value of these securities was \$0.13. All vesting securities participated in the internalisation transaction resulting in 320,000 vested securities.

²⁷ Under Australian Accounting Standards, securities issued under the GARDA Property Group Employee Security Plan (ESP) are required to be accounted for as options in the financial statements until such time as they vest. Refer note 20 for further details.

Movement in Equity Interests

Movement during 2020

The table below shows the movement in number of securities held by KMP during the financial year.

Ordinary securities

	1 July	Internalisation Consideration	On Joining Board	Net Purchases	30 June
P Lee	61,628	155,200	-	-	216,828
P Leitch	-	-	-	24,411	24,411
M Parker	-	-	-	-	-
A Thornton ²⁸	-	-	1,013,505	-	1,013,505
M Madsen	146,401	7,883,006	-	79,348	8,108,755
M Hallett ²⁹	48,698	1,045,858	-	207,913	1,302,469
D Addis	-	-	-	-	-
L Davidson ³⁰	-	213,330	-	-	213,330
M Scammells	-	-	-	-	-
	256,727	9,297,394	1,013,505	311,672	10,879,298

GARDA ESP securities

	1 July	Internalisation Consideration ³¹	New ESP Grants ³²	30 June
P Lee	-	-	-	-
P Leitch	-	-	-	-
M Parker	-	-	-	-
A Thornton ³³	-	-	-	-
M Madsen	-	960,000	5,000,000	5,960,000
M Hallett ³⁴	-	-	1,000,000	1,000,000
D Addis	-	800,000	-	800,000
L Davidson ³⁵	-	560,000	-	560,000
M Scammells	-	800,000	-	800,000
	-	3,120,000	6,000,000	9,120,000

Internalisation Transaction

The GARDA ESP replaced the former GARDA Capital Group employee security plan at the time of the internalisation transaction. 3,840,000 new GARDA stapled securities were issued to replace the GARDA Capital group securities that had issued under the former employee security plan. Further, the limited recourse loans previously provided by GARDA Capital Group were replaced with loans on equivalent terms.

480,000 GARDA ESP securities in total vested concurrently with the internalisation while 3,360,000 remained unvested.

²⁸ Mr Thornton is also Company Secretary of HGT Investments Pty Ltd which holds 35,893,918 securities in GARDA.

²⁹ Mr Hallett is also a director of M3SIT Pty Ltd which currently holds 180,000 securities which are not included in his holding of 2,302,469.

³⁰ 100,000 GARDA Capital Group ESP securities issued to Mr Davidson on 13 November 2017 vested on the second anniversary of their issue 13 November 2019. Another 100,000 GARDA Capital ESP securities issued to Mr Davidson on 13 November 2017 with a vesting date of 13 November 2020 vested concurrently with the internalisation transaction, in accordance with the terms of the ESP. All vesting securities participated in the internalisation transaction resulting in 320,000 vested securities.

³¹ The GARDA ESP replaced the former GARDA Capital Group employee security plan at the time of the internalisation transaction. All but 480,000 ESP securities remain unvested.

³² All new ESP securities remain unvested.

³³ Mr Thornton is also Company Secretary of HGT Investments Pty Ltd which holds 35,893,918 securities in GARDA.

³⁴ Mr Hallett is also a director of M3SIT Pty Ltd which currently holds 180,000 securities which are not included in his total holding of 2,302,469.

³⁵ 100,000 GARDA Capital Group ESP securities issued to Mr Davidson on 13 November 2017 vested on the second anniversary of their issue 13 November 2019. Another 100,000 GARDA Capital ESP securities issued to Mr Davidson on 13 November 2017 with a vesting date of 13 November 2020 vested concurrently with the internalisation transaction, in accordance with the terms of the ESP. All vesting securities participated in the internalisation transaction resulting in 320,000 vested securities.

Subsequent GARDA ESP Grants

On 16 April 2020, 6,000,000 GARDA ESP securities were granted to the Executive Chairman and Executive Director following securityholder approval at the Annual General Meeting on 6 March 2020, taking the total number of unvested securities to 9,360,000, of which 8,800,000 are held by KMP:

Grant date	Securities	Price ³⁶	Limited recourse loan balance	Vesting date
13 Nov 2017	960,000	\$0.63	\$538,052	13 Nov 2020
3 Jun 2019	480,000	\$1.08	\$516,195	3 Jun 2021
23 Aug 2019	1,920,000	\$1.22	\$2,332,181	23 Aug 2021
16 Apr 2020	6,000,000	\$1.00	\$6,060,159	16 Apr 2023
	9,360,000		\$9,446,587	

Details of the KMP participants³⁷ in the GARDA ESP are set out in the following table:

Participant	Issue date	Securities granted	Exercise Price	Fair value at grant date	Loan value 30 June 20	Vesting date
Matthew Madsen	13 Nov 2017	960,000	\$0.63	\$0.70	\$538,052	13 Nov 2020
	16 Apr 2020	5,000,000	\$1.00	\$0.06	\$5,050,132	16 Apr 2023
David Addis	3 Jun 2019	320,000	\$1.08	\$0.24	\$349,727	3 Jun 2021
	23 Aug 2019	240,000	\$1.22	\$0.11	\$291,827	23 Aug 2021
	23 Aug 2019	240,000	\$1.22	\$0.10	\$291,827	23 Aug 2022
Lachlan Davidson	23 Aug 2019	240,000	\$1.22	\$0.11	\$290,914	23 Aug 2021
Mark Scammells	23 Aug 2019	400,000	\$1.22	\$0.11	\$486,378	23 Aug 2021
	23 Aug 2019	400,000	\$1.22	\$0.10	\$486,378	23 Aug 2022
Mark Hallett	16 Apr 2020	1,000,000	\$1.00	\$0.06	\$1,010,026	16 Apr 2023
Total		8,800,000			\$8,795,261	

EMPLOYMENT CONTRACTS AND TERMINATION PROVISIONS

Executive Chairman

The Executive Chairman, Matthew Madsen, entered into an executive services agreement effective 1 January 2020 whereby he became a full-time employee of GARDA. Prior to 1 January 2020, Mr Madsen provided services to GARDA through a contract with Madsen Advisory Pty Ltd.

Mr Madsen's executive services agreement may be terminated by the Group with one year's notice (or immediately for fraud, gross negligence, misconduct or criminal offence), or by Mr Madsen providing one year's notice. There is a restraint on Mr Madsen competing with the Group or interfering with the relationship between the Group and its staff, customers, suppliers or contractors for one year following termination.

Other major provisions of the executive services agreement include:

- term of agreement: commencing 1 January 2020 with no fixed termination date;
- base salary, exclusive of superannuation, of \$695,000, to be reviewed annually by the NRC;
- entitlement to participate in short term incentives, expected to be in the form of cash bonus, and subject to achievement of strategic, operational and financial hurdles set by the Board; and
- entitlement to participate in the GARDA ESP, at the discretion of the Board.

³⁶ The number and exercise price of employee security plan securities issued under the former GARDA Capital Group plan (ie before 29 November 2019) have been adjusted for the internalisation exchange ratio of 1.6x.

³⁷ 560,000 unvested GARDA ESP securities are held by non-KMP employees.

Directors

The contracts with GARDA's Non-executive Directors, Messrs Lee, Leitch, Parker and Thornton, provide the following key terms:

- Term: ongoing with no fixed termination date;
- Remuneration: \$70,000 per annum (including superannuation) as at 30 June 2020, to be reviewed annually; and
- Termination: 90 days' notice period.

The contract with Mr Hallett, Executive Director, is largely identical to the contracts of the Non-executive Directors with two exceptions:

- Remuneration: \$75,000 per annum plus GST, reviewed annually; and
- Entitlement to participate in the GARDA ESP, at the discretion of the Board.

Executives

Remuneration and other terms of employment for other KMP executives are contained under standard employment contracts.

It is Group policy that service contracts for salaried KMP are unlimited in term but capable of termination, with notice, by either party. The Group retains the right to terminate a service contract immediately and without notice if the KMP is at any time guilty of serious, willful or persistent misconduct. On termination, salaried KMP are entitled to receive their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.

Other than the Executive Chairman, the notice period for termination of a service contract by a KMP is three months.

TRANSACTIONS WITH KMP AND THEIR RELATED PARTIES

KMP or their related parties hold positions in other entities that result in them having control or joint control over the financial and operating policies of those entities.

A number of these entities transacted with the Group during the year. The terms and conditions of the transactions with Directors and their related parties as disclosed below were no more favorable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

A \$1,970,000 loan facility advanced to the Company by a securityholder, M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust, was repaid on 5 of May 2020 following consent by ASIC. Mr Hallett is a director of the trustee. Interest of \$132,556 was paid during the year.

A \$10,000,000 loan facility advanced to the GARDA Capital Trust by syndicate lenders, some of whom were related parties, was repaid on 24 February 2020 through transfer of 6,666,670 treasury securities valued at \$9,000,000 (at \$1.35 per security) and a cash payment of \$1,000,000. The recipient of the cash payment of \$1,000,000 was M3SIT Pty Ltd as trustee for M3 Solutions Investment Trust (Mr Hallett is a director of the trustee). Interest paid during the year was \$46,219.

A related party of Mr Thornton, Non-executive Director, participated with GARDA as prior ranking lender in a number of syndicated senior loans provided to third party borrowers. These loans were provided prior to Mr Thornton becoming a Non-executive Director. The participation of Mr Thornton's related party was in its capacity as a provider of finance to third-party borrowers on arm's length terms and did not involve the receipt of any consideration from GARDA or the provision of any consideration to GARDA.

Payments of \$71,000 (GST exclusive) were made to an entity related to Mr Scammells, Director, Acquisitions and Projects, in relation to project management services provided by a relative of Mr Scammells. The relevant contract was assessed as being arm's length and on usual commercial terms and conditions.

AUDIT

The Remuneration Report for the Group for the year ended 30 June 2020 has been audited in accordance with section 300A of the *Corporations Act 2001*.

END OF REMUNERATION REPORT

The Directors' Report, including the Remuneration Report, is signed in accordance with a resolution of the Directors.



Matthew Madsen
Executive Chairman
20 August 2020

AUDITOR'S INDEPENDENCE DECLARATION



Level 38, 345 Queen Street
Brisbane, QLD 4000

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p. +61 7 3222 8444

The Directors
GARDA Holdings Limited and
GARDA Capital Limited (Responsible entity of GARDA Diversified
Property Fund)
Level 21, 12 Creek Street
Brisbane QLD 4000

Auditor's Independence Declaration

In relation to the independent audit for the year ended 30 June 2020, to the best of my knowledge and belief there have been:

- (i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) No contraventions of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

This declaration is in respect of GARDA Property Group (the stapled entity which comprises GARDA Holdings Limited and GARDA Diversified Property Fund) and the entities it controlled during the year.

PITCHER PARTNERS



WARWICK FACE
Partner

Brisbane, Queensland
20 August 2020

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER	PETER CAMENZULI	KYLIE LAMPRECHT	BRETT HEADRICK	COLE WILKINSON	JEREMY JONES	JAMES FIELD	ROBYN COOPER	CHERYL MASON
MARK NICHOLSON	JASON EVANS	NORMAN THURECHT	WARWICK FACE	SIMON CHUN	TOM SPLATT	DANIEL COLWELL	FELICITY CRIMSTON	KIERAN WALLIS

FINANCIAL REPORT

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 30 June	Notes	GARDA Property Group		GARDA Holdings Limited	
		2020	2019	2020 ¹	2019
		\$'000	\$'000	\$'000	\$'000
Revenue and other income					
Revenue from operations	5	29,116	25,361	2,575	-
Other income	5	1,172	8,101	20	-
Gain on bargain purchase on acquisition	26	-	-	6,187	-
Total revenue and other income		30,288	33,462	8,782	-
Expenses					
Property expenses	6	(6,368)	(5,940)	-	-
Finance costs	6	(3,801)	(2,934)	(79)	-
Employee benefits expense		(1,520)	-	(2,066)	-
Corporate and trust administration expenses	6	(2,836)	(3,701)	(656)	-
Depreciation	6	(155)	-	(155)	-
Internalisation expenses	26	(1,269)	(700)	-	-
Security based payments expense	20	(444)	-	(444)	-
Net loss on financial instrument held at fair value through profit and loss		(1,425)	(1,951)	-	-
Fair value movement in investment properties	9	(6,996)	8,994	-	-
Gain on sale of investment property	9	-	1,550	-	-
Total expenses		(24,814)	(4,682)	(3,400)	-
Profit before income tax		5,474	28,780	5,382	-
Income tax benefit (expense)	7	93	-	93	-
Profit after income tax		5,567	28,780	5,475	-
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the period		5,567	28,780	5,475	-
Total profit and total comprehensive income for the period attributable to:					
Securityholders of GARDA Property Group		6,279	-	-	-
Shareholders of GARDA Holdings Limited		(712)	-	5,475	-
Profit and total comprehensive income		5,567	28,780	5,475	-
Earnings per stapled security:					
Basic earnings per stapled security / share (cents)	15	2.90	18.9	2.41	-
Diluted earnings per stapled security / share (cents)	15	2.85	18.9	2.41	-

The above consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

¹ Result reflects the Company performance from 29 November 2019 to 30 June 2020.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 30 June	Notes	GARDA Property Group		GARDA Holdings Limited	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
ASSETS					
Current assets					
Cash and cash equivalents		20,488	20,213	3,952	-
Trade and other receivables	8	5,291	1,441	2,343	-
Total current assets		25,779	21,654	6,295	-
Non-current assets					
Investment properties	9	417,447	332,806	1,250	-
Deposits on investment properties		-	1,874	-	-
Property, plant and equipment		54	-	54	-
Right-of-use assets	23	403	-	403	-
Intangible assets	11	33,586	-	-	-
Total non-current assets		451,490	334,680	1,707	-
Total assets		477,269	356,334	8,002	-
LIABILITIES					
Current liabilities					
Trade and other payables	10	3,944	4,236	2,048	-
Distribution payable	14	3,763	3,565	-	-
Borrowings	12	-	15,417	-	-
Lease liabilities	24	115	-	115	-
Current tax liability		2	-	2	-
Total current liabilities		7,824	23,218	2,165	-
Non-current liabilities					
Tenant security deposits		350	323	13	-
Borrowings	12	186,653	112,872	-	-
Derivative financial instrument	13	1,536	2,825	-	-
Provisions		48	-	48	-
Lease liabilities	24	252	-	252	-
Deferred tax liability	7	49	-	49	-
Total non-current liabilities		188,887	116,020	362	-
Total liabilities		196,712	139,238	2,527	-
Net assets		280,558	217,096	5,475	-
EQUITY					
Contributed equity		354,993	281,112	-	-
Security based payment reserve		444	-	-	-
Retained earnings/ (accumulated losses)		(74,879)	(64,016)	5,475	-
Total equity		280,558	217,096	5,475	-

The above consolidated Statements of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

GARDA Property Group consolidated Year ended 30 June 2019	Contributed Equity \$000	Security Based Payments Reserve \$000	Accumulated Losses \$000	Total Equity \$000
Balance at 1 July 2018	256,870		(78,986)	177,884
Profit for the year	-		28,780	28,780
	<u>256,870</u>		<u>(50,206)</u>	<u>206,664</u>
Transaction with owners in their capacity as owners				
Security issue	25,000		-	25,000
Security issue transaction costs	(758)		-	(758)
Distributions paid or provided for	-		(13,810)	(13,810)
Total transaction with owners in their capacity as owners	<u>24,242</u>		<u>(13,810)</u>	<u>10,432</u>
Balance at 30 June 2019	281,112		(64,016)	217,096
GARDA Property Group consolidated Year ended 30 June 2020	Contributed Equity \$000	Security Based Payments Reserve \$000	Retained Earnings \$000	Total Equity \$000
Balance at 1 July 2019	281,112	-	(64,016)	217,096
Profit for the year	-	-	5,567	5,567
	<u>281,112</u>	<u>-</u>	<u>(58,449)</u>	<u>222,663</u>
Transaction with owners in their capacity as owners				
Security issue in relation to entitlement and placement offer	31,500	-	-	31,500
Security issue in relation to acquisition of properties	6,000	-	-	6,000
Securities issued as consideration for internalisation	58,992	-	-	58,992
Vested securities under ESP	(273)	-	-	(273)
Security issue transaction costs for internalisation	(58)	-	-	(58)
Security issue transaction costs	(619)	-	-	(619)
Share based payment expense	-	444	-	444
Cancellation of treasury securities on consolidation	(15,661)	-	-	(15,661)
Cancellation of securities issued under GARDA ESP from treasury securities on consolidation	(6,000)	-	-	(6,000)
Distributions paid and payable	-	-	(16,430)	(16,430)
Total transaction with owners in their capacity as owners	<u>73,881</u>	<u>444</u>	<u>(16,430)</u>	<u>57,895</u>
Balance at 30 June 2020	354,993	444	(74,879)	280,558

The above consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

Consolidated Statements of Changes in Equity (continued)

GARDA Holdings Limited	Contributed Equity	Retained Earnings	Total Equity
Year ended 30 June 2019	\$000	\$000	\$000
Balance at 29 November 2019	-	-	-
Profit for the period	-	5,475	5,475
Balance at 30 June 2020	-	5,475	5,475

The above consolidated Statements of Changes in Equity should be read in conjunction with the accompanying notes to the financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Year ended 30 June	Notes	GARDA Property Group		GARDA Holdings Limited	
		2020 \$000	2019 \$000	2020 ³⁸ \$000	2019 \$000
Cash flows from operating activities					
Receipts from customers (includes GST)		32,128	27,903	2,361	-
Receipts from rental guarantees		2,000	-	-	-
Litigation Proceeds		100	8,000	-	-
Payments in the course of operations (includes GST)		(14,141)	(15,282)	(2,618)	-
Interest received		40	101	20	-
Finance costs		(5,109)	(4,088)	(79)	-
Income tax paid		(544)	-	(544)	-
Net GST (paid)/ refund		(482)	3,960	(218)	-
Net cash provided by / (used in) operating activities	25	13,992	20,594	(1,078)	-
Cash flows from investing activities					
Cash acquired at internalisation	26	4,375	-	4,318	-
Acquisition costs relating to internalisation		(1,718)	-	(80)	-
Payments for property, plant and equipment		(28)	-	(28)	-
Payments for investment properties		(81,133)	(52,583)	-	-
Due diligence costs and deposits		(115)	(1,874)	-	-
Payment of commission on sale of property		(259)	-	-	-
Proceeds on disposal of investment properties		-	16,416	-	-
Payments for leasing fees		(247)	(557)	-	-
Net cash (used in) / provided by provided by investing activities		(79,125)	(38,598)	4,210	-
Cash flows from financing activities					
Proceeds of intra-stapled loans from parent entity		-	-	1,005	-
Repayment of intra-stapled loan receivable by a subsidiary of a parent		-	-	1,813	-
Repayment of loan receivable from external parties		838	-	838	-
Loan advances to external parties		(1,491)	-	-	-
Proceeds of borrowings		75,020	57,561	-	-
Repayment of borrowings		(15,418)	(34,749)	-	-
Repayment of lease liabilities		(169)	-	(169)	-
Payments for borrowing transaction costs		(1,641)	-	-	-
Payments for interest rate swap costs		(2,714)	-	-	-
Repayment of related party loans	19	(2,970)	-	(1,970)	-
Proceeds from issue of additional equity		31,500	25,000	-	-
Equity transaction costs		(619)	(758)	-	-
Dividends paid (declared pre-internalisation)		(697)	-	(697)	-
Distributions paid		(16,231)	(13,360)	-	-
Net cash provided by financing activities		65,408	33,694	820	-
Net increase in cash and cash equivalents		275	15,690	3,952	-
Cash and cash equivalents at 1 July		20,213	4,523	-	-
Cash and cash equivalents at end of financial year	25	20,488	20,213	3,952	-

The above consolidated Statements of Cash Flows should be read in conjunction with the accompanying notes.

³⁸ Cash flows reflect the Company's operations from internalisation on 29 November 2019 to 30 June 2020.

NOTE 1 GENERAL INFORMATION

Basis of preparation

The consolidated annual financial statements for GARDA Property Group (**GARDA** or the **Group**), comprising GARDA Diversified Property Fund (**GDF** or the **Fund**) and GARDA Holdings Limited (**GHL** or the **Company**), have been jointly presented in accordance with ASIC Corporations (Stapled Group Reports) Instrument 2015/838 and the requirements of the Australian Securities Exchange.

These financial statements have also been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Pursuant to Australian Accounting Standards, GDF is the deemed parent entity of GHL. Supplementary information about the parent entity is disclosed in note 27.

Compliance with IFRS

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of investment properties and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Internalisation and stapling

On 29 November 2019, GARDA was constituted in its current form when two ASX listed entities, GARDA Diversified Property Fund (previously defined as GDF or the Fund) (ASX: GDF) and GARDA Capital Group (ASX: GCM), were combined pursuant to the internalisation.

Prior to the internalisation:

1. GDF was an externally managed real estate investment trust; and
2. GARDA Capital Group was a stapled entity comprising:
 - GARDA Capital Limited (previously defined as Fund RE), the responsible entity for GDF; and
 - GARDA Capital Trust, a unit trust whose primary asset was an 11.8% equity interest in GDF.

The internalisation transaction involved two concurrent events:

1. the establishment of GARDA through the stapling of GDF units to shares in the newly created GHL on a one for one basis; and
2. the acquisition by GARDA of 100% of GCM.

GARDA is now an ASX-listed, internally managed, stapled, real estate group that trades under the ASX ticker "GDF". GARDA continues to undertake the operations that were performed by its predecessor entities prior to the internalisation.

Comparative information

For GARDA, the comparative information provided is from GDF's prior period financial statements. For GHL, comparative information has not been provided due to the Company only forming part of GARDA for the nine-month period from incorporation on 20 September 2019 and 30 June 2020.

Operations and principal activities

GARDA is an internally managed real estate investment, development and funds management group.

The Fund invests in, owns, manages and develops commercial and industrial real estate in accordance with the provisions of the Fund's constitution. The Fund through its subsidiaries also invests into real estate via debt positions in conjunction with third parties. The Company, through its subsidiaries, acts as the responsible entity of the Fund.

Registered office

The registered office and principal place of business of the Group is situated at Level 21, 12 Creek Street, Brisbane QLD 4000.

Authorisation of financial report

This financial report was authorised for issue on 20 August 2020 in accordance with a resolution of the Directors. The following is a summary of the material accounting policies adopted by the Group in the preparation of these financial statements. The accounting policies have been consistently applied, unless otherwise stated.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the Group:

AASB 16 Leases

GHL has an operating lease for the registered office of the Group at Level 21, 12 Creek Street, Brisbane QLD 4000.

The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are now recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

In the earlier periods of a lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments is separately disclosed in financing activities.

For lessor accounting, as applicable to GDF, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. When adopting AASB 16 from 1 July 2019, the consolidated entity has applied the following practical expedients:

- to recognise the right-of-use asset at the initial application at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application;
- to not recognise a right-of-use asset and a lease liability for leases for which the underlying asset is of low value;
- excluding any initial direct costs from the measurement of right-of-use assets; and
- using hindsight in determining the lease term when the contract contains options to extend or terminate the lease.

The application of AASB 16 resulted in the recognition of a right-of-use asset with an aggregate carrying amount of \$536,000 and a corresponding lease liability with an aggregate carrying amount of \$547,000. The incremental borrowing rate applied in the calculation of the initial carrying amount of lease liabilities was 2.5%. The net impact on retained earnings was nil.

The impact on the consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2020 in relation to the adoption of AASB 16 is summarised as follows:

	Increase/ (decrease) \$000
Depreciation expense	133
Finance costs	12
Operating expenses	(181)

The impact on the consolidated Statements of Financial Position is disclosed in notes 23 and 24.

Accounting policies

Principles of consolidation and business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for an acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by GARDA. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. GARDA recognises any non-controlling interest in an acquired entity on an acquisition-by acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred, with the exception of incremental costs incurred in relation to the issue of additional equity which are deducted against equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of GARDA's share of the net identifiable assets acquired are recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and recognises additional assets or liabilities during the measurement period based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on the earlier of: (i) 12 months from the date of the acquisition; or (ii) when the acquirer receives all the information possible to determine fair value.

Goodwill

Goodwill arising from acquisitions is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of annual impairment testing. The allocation is made to those cash-generating units, or groups of cash-generating units, that are expected to benefit from the business combination from which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Income tax

Income tax for Trusts

Under the current income tax legislation, the Fund is not liable for Australian income tax, provided its taxable income and taxable realised gains are fully distributed to security holders each financial year. The Fund distributes its distributable income, calculated in accordance with its Constitution and the applicable taxation legislation, to security holders who are presently entitled to the income under the Constitution.

Income tax for GHL

Income tax is payable at the applicable income tax rate on the current period's taxable income adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and for unused tax losses. The current income tax charge is calculated by reference to the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is provided in full, using the liability method, on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this situation, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Tax consolidation legislation for GHL

GHL and its wholly owned subsidiaries have implemented the tax consolidation legislation. The head entity, GHL, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continued to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, GHL also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have entered into a tax funding agreement under which wholly-owned subsidiaries compensate GHL for any current tax liability assumed and are compensated by GHL for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to GHL under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned subsidiaries' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Revenue recognition

The summary below presents information about the disaggregation of key revenue items from the Group's revenue contracts or other activities with customers.

Lease revenue

The Group's main revenue stream is property rental revenue and is derived from holding investment properties over time.

Rental revenue is recognised on a straight-line basis over the lease term for leases with fixed rent review clauses. Rental revenue not received at reporting date is reflected in the Statement of Financial Position as a receivable or, if paid in advance, as rent in advance (unearned income). Contingent rents based on the future amount of a factor that changes other than with the passage of time, including turnover rents and CPI linked rental increases, are only recognised when contractually due.

Prospective tenants may be offered incentives to enter operating leases. The cost of incentives is recognised as a reduction of rental revenue on a straight-line basis from the lease commencement date to the end of the lease term.

Recoverable outgoings

Revenue from outgoings and other related services is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price, taking into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Debt advisory services revenue

Contracts with customers in relation to debt advisory services are specialised in nature and the customer does not benefit from the process undertaken, but rather the outcome. The Group is only entitled to payment for services upon the successful completion of the contract. Hence, revenue is recognised upon completion of the service at a point in time.

Lending business income

Revenue from lending contracts with customers is recognised over-time using the effective interest method.

Non-lending Interest income

Interest income is recognised using the effective interest method.

Investment properties

Investment properties comprise properties held for long-term rental yields and/ or capital appreciation and properties being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost, including transaction costs.

Subsequently to initial recognition, investment properties are carried at fair value which is measured using the capitalisation approach and discounted cash flows as primary valuation methodologies. Gains and losses arising from changes in fair values of investment properties are included in profit or loss in the year in which they arise.

Subsequent development and refurbishment costs (other than repairs and maintenance) are capitalised to the investment property when they result in an enhancement in the future economic benefits of the property.

Investment properties under construction are carried at fair value, or at cost where fair value cannot be reliably determined and the construction is incomplete.

Fair values

Fair values may be used for financial and non-financial asset and liability measurement as well as sundry disclosures.

Fair value is the price that would be received on sale of an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. It is based on the presumption that the transaction takes place either in the principal market for the asset or liability or, in the absence of a principal market, in the most advantageous market. The principal or most advantageous market must be accessible to, or by, the Group.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they are acting in their best economic interest.

The fair value measurement of a non-financial asset takes into account the market participant's ability to generate economic benefits by using the asset at its highest and best use, or by selling it to another market participant that would use the asset at its highest and best use.

In measuring fair value, the Group uses valuation techniques that maximise the use of observable inputs and minimise the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, including verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Derivative financial instruments

The Group used derivative financial instruments (interest rate swaps) during the year to hedge risks associated with interest rate fluctuations on its bank loans.

Interest rate swaps are initially measured at fair value on the date of contract and are subsequently measured at fair value at each reporting date. The net fair value of derivative financial instruments outstanding at the reporting date is recognised in the statement of financial position as either a financial asset or liability. Changes in the fair value of the interest rate swaps are recognised immediately in profit or loss.

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets may have been impaired. If such indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and its value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is due more than 12 months after the reporting date.

Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any differences between the proceeds (net of transaction costs) and the redemption amounts are recognised in profit or loss over the period of the loans and borrowings using the effective interest method.

Fees paid for establishing loan facilities are recognised as transaction costs and amortised over the period to which the facility relates.

Lease liabilities

A lease liability is recognised at the commencement of a lease. The lease liability is initially recognised as the present value of lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate.

Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise prices of purchase options when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. Variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; or certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

A qualifying asset is an asset under development or construction where such development or construction takes a substantial period of time. To the extent that funds are borrowed generally to fund development, the amount of borrowing costs to be capitalised to qualifying assets is determined by using an appropriate capitalisation rate. Interest payments in respect of financial instruments classified as liabilities are included in finance costs.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of reporting date are measured at the amounts expected to be paid when the liabilities are settled. At 30 June 2020, all Group annual leave liabilities are expected to be settled wholly within 12 months and therefore were recognised as current liabilities.

Long-term employee benefits

Liabilities for annual leave and long service leave not expected to be settled within 12 months of reporting date are measured at the present value of expected future payments using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. At 30 June 2020, all long service leave liabilities were recognised as non-current liabilities.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Security based payments expense

The costs of equity-settled transactions, including loan funded security issues, are determined by their fair values at grant date using the Black Scholes option pricing model and are recognised as security-based payment expenses proportionately over the vesting period with a corresponding increase in share based payments reserve.

No expense is recognised for securities that do not ultimately vest other than for equity-settled transactions for which vesting is conditional upon a market or non-vesting condition. Such securities are treated as vesting irrespective of whether the market or non-vesting conditions are satisfied, provided that all other performance and/or service conditions are satisfied.

Should the terms of equity-settled securities be modified, the minimum expense recognised is the expense that would have been recognised had the terms not been modified. An additional expense is recognised for any modification that increases the total fair value of the security-based payment transaction or is otherwise beneficial to the employee as measured at the date of modification.

When an equity-settled security is cancelled, it is treated as if it vested on the date of cancellation and any unrecognised expense recognised immediately. This includes any security where non-vesting conditions within the control of either the entity or the employee are not met.

Dividends and distributions to securityholders

Provision is made for any dividend or distribution declared, being appropriately authorised and no longer at the discretion of the Board of Directors, on or before the end of the financial year but not distributed as at balance date.

Earnings per security

Basic earnings per security is calculated by dividing the profit attributable to securityholders, by the weighted average number of ordinary securities outstanding during the financial year, adjusted for bonus elements in ordinary securities issued during the year.

Diluted earnings per security adjusts the figures used in the determination of basic earnings per unit to take into account the weighted average number of additional ordinary securities that would have been outstanding assuming the conversion of all dilutive potential ordinary securities.

Treasury Securities

Treasury securities are deducted against equity or eliminated on consolidation. Any distributions related to treasury securities are also eliminated on consolidation.

Goods and Services Tax (GST)

Revenues and expenses are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. If it is not recoverable, it is recognised in the cost of acquisition of the asset or as an expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included in other receivables or other payables in the Statement of Financial Position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flows. Net GST paid or refunded to/from Australian Tax Office is shown separately in the operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the Australian Taxation Office.

Rounding of amounts

GARDA is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191. Accordingly, amounts contained in this report and in the interim financial statements have been rounded to the nearest \$1000, or in certain cases, to the nearest dollar.

Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect reported amounts. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events that management believes to be reasonable in the circumstances. The resulting accounting judgements and estimates will seldom equal actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may unfavourably impact the consolidated entity as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

Goodwill

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment (refer note 1). The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows. Refer to note 11 for further information.

Investment property valuation

The Group makes key assumptions in determining the fair value of its investment property portfolio as at reporting date. The assumptions thought to bear the most significant impact on the adopted fair value of each of the Group's investment properties are disclosed in note 9, together with the carrying amount of each investment property asset measured at fair value.

Shared-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to the equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant lease hold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise and extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

NOTE 3 OPERATING SEGMENTS

As a result of the change in internal reporting structure due to the internalisation transaction, the Group has identified three core operating segments. These segments are regularly reviewed by the Executive Chairman, who is the Chief Operating Decision Maker, in order to make decisions about resource allocation and to assess performance.

The three operating segments are: direct property investment, debt investments and external funds management.

The business activities of each of these operating segments are as follows:

Core Operating Segments	Business Activity
Direct property investment	Investment in Australian commercial and industrial property
Debt investments	Debt investment (loans) into residential real estate
External funds management	Establishment and management of investment funds for external investors

In the prior year, GDF operated as one operating segment, being investment in Australian commercial and industrial property. The financial results from the segment are equivalent to the prior year financial statements and therefore no comparative segment results are disclosed.

Reportable Segment Results for the year ended 30 June 2020

The external revenue and net profit contribution of the debt investment and funds management operating segment did not meet the necessary quantitative threshold to be considered separate reportable segments and therefore have been combined and disclosed in the "other segments" category.

	Direct property investment \$000	Other segments \$000	Total \$000
Segment revenue and other income			
Lease revenue	23,103	-	23,103
Recoverable outgoings	4,762	-	4,762
Fund and real estate management	-	7	7
Lending business income	-	228	228
Debt advisory services	-	287	287
Litigation proceeds	475	-	475
Other revenue	657	-	657
Total segment revenue	28,997	522	29,519
Total segment expense	(12,161)	(183)	(12,344)
Segment profit	16,836	339	17,175

Segment results include items directly attributable to the segment as well as those that may be allocated on a reasonable basis. They exclude non-segment specific non-cash expenses including fair value adjustments, security-based payments expense and depreciation.

Corporate expenses pertaining to Group level functions such as finance and tax, legal, risk and compliance, company secretarial, marketing and other corporate services are also not allocated to core operation segments. These expenses form part of unallocated revenue and expenses in the reconciliation of segment profit to profit before income tax.

Segment results are also net of all internal revenue and expenses incurred post-internalisation.

Reconciliation of reportable segment revenues and profit become income tax

	2020
	\$000
	Note
Total revenue for reportable segments	29,519
Unallocated amounts	
Lease straight-lining revenue	1,372
Lease costs and incentive amortisation	(865)
Rent free income	222
Non-operating interest income	40
Total revenue	5 30,288

Reconciliation of reportable segment profit before income tax to profit before tax

	2020
	\$000
Reportable segment profit before income tax	17,175
Unallocated amounts	
Lease straight-lining revenue	1,372
Lease costs and incentive amortisation	(864)
Rent free income	222
Non-operating interest income	40
Finance costs	(84)
Employee benefit expense	(1,403)
Corporate and trust administration expenses	(695)
Depreciation	(155)
Internalisation expenses	(1,269)
Security based payments expense	(444)
Net loss on financial instrument held at fair value through profit and loss	(1,425)
Fair value movement in investment properties	(6,996)
Profit before income tax	5,474

Reportable segment assets and liabilities as at 30 June 2020

	Direct Property Investment \$000	Other Segments \$000	Total \$000
Segment Assets	468,732	6,584	475,316
Segment Liabilities	(194,071)	-	(194,071)
Net Assets	274,661	6,584	281,245

Segment assets and liabilities are net of all internal loan balances.

Reconciliation of reportable segment assets

	2020 \$000
Reportable segment assets	475,316
Unallocated amounts	
Other receivables	246
Investment properties ³⁹	1,250
Corporate fixed assets	54
Right-of-use assets	403
Total assets	477,269

Reconciliation of reportable segment liabilities

	2020 \$000
Reportable segment liabilities	194,071
Unallocated amounts	
Trade and other payables	627
Tenant security deposits	14
Provisions	48
Derivative financial instrument	1,536
Lease liability	367
Deferred tax liabilities	49
Total liabilities	196,712

NOTE 4 DISTRIBUTIONS

Distributions provided for and/or paid during the financial year were as follows:

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited ⁴⁰	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
September distribution 2.25 cents per security (2019: 2.25 cents)	3,664	3,115	-	-
November distribution 1.50 cents per security (2019: nil)	2,782	-	-	-
December distribution 0.75 cents per security (2019: 2.25 cents)	1,682	3,565	-	-
March distribution 2.25 cents per security (2019: 2.25 cents)	5,046	3,565	-	-
June distribution 1.80 cents per security (2019: 2.25 cents) ⁴¹	3,929	3,565	-	-
	17,103	13,810	-	-
Distribution on treasury securities post internalisation	(673)	-	-	-
Net distributions	16,430	13,810	-	-

Distributions declared for the quarter ended 30 June 2020 of \$3,763,000 (net of treasury security distribution) but not paid until after year end have been provided for.

³⁹ Relates to land held by the GHL consolidated group.

⁴⁰ No dividends have been declared or paid by GHL since the implementation of internalisation on 29 November 2019.

⁴¹ June distribution declared includes amounts for treasury securities. As a result, the distribution payable per the consolidated Statement of Financial Position excludes the amount for treasury securities.

NOTE 5 REVENUE

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Revenue recognised under AASB 16 Leases				
Lease revenue	24,696	22,178	25	-
Lease costs and incentive amortisation	(864)	(981)	-	-
	23,832	21,197	25	-
Revenue recognised under AASB 15 Revenue from contracts with customers				
Recoverable outgoings - non-lease component	4,762	4,164	-	-
Fund and real estate management	7	-	1,532	-
Recoveries and other fees	-	-	568	-
Debt advisory services	287	-	287	-
Lending business income	228	-	163	-
	5,284	4,164	2,550	-
Other income				
Non-operating interest income	40	101	20	-
Litigation proceeds	475	8,000	-	-
Sundry income	657	-	-	-
	1,172	8,101	20	-
Total revenue and other income	30,288	33,462	2,595	-

Disaggregation of revenue from contracts with customers

	2020			2019		
	Point in Time	Over Time	Total	Point in Time	Over Time	Total
	\$000	\$000	\$000	\$000	\$000	\$000
GARDA Property Group						
Recoverable outgoings - non-lease component	-	4,762	4,762	-	4,164	4,164
Fund and real estate management	-	7	7	-	-	-
Lending business income	-	228	228	-	-	-
Debt advisory services	287	-	287	-	-	-
Total	287	4,997	5,284	-	4,164	4,164
GARDA Holdings Limited						
Recoveries and other fees	-	568	568	-	-	-
Fund and real estate management	-	1,532	1,532	-	-	-
Lending business income	-	163	163	-	-	-
Debt advisory services	287	-	287	-	-	-
Total	450	2,100	2,550	-	-	-

NOTE 6 EXPENSES

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Corporate and trust administration expenses				
Management fees	1,099	2,067	-	-
Professional fees and other administration expenses	1,737	2,334	656	-
	2,836	4,401	656	-
Property expenses				
Recoverable expenses	5,513	5,038	-	-
Direct expenses	581	658	-	-
Non-recoverable expenses	274	244	-	-
	6,368	5,940	-	-
Finance costs				
Interest expense	5,074	4,123	67	-
Borrowing cost amortisation	414	175	-	-
Interest expense on lease liabilities	12	-	12	-
Interest capitalised to properties under construction ⁴²	(1,699)	(1,364)	-	-
	3,801	2,934	79	-
Depreciation				
IT equipment and fittings	22	-	22	-
Buildings right-of-use assets	133	-	133	-
	155	-	155	-

⁴² The capitalisation rate used to determine the amount of borrowing costs capitalised during the financial year was the weighted average interest rate applicable to the Group's general borrowings. The weighted average rate during the year ranged from 2.40% - 3.20% (2019: 3.50%- 3.80%).

NOTE 7 INCOME TAX

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
The components of income tax expense/benefit comprise:				
Current income tax benefit	-	-	-	-
Deferred income tax benefit	93	-	93	-
Income tax benefit	93	-	93	-
Deferred income tax expense included in income tax benefit				
(Decrease)/ increase in deferred tax assets	243	-	243	-
(Increase)/ decrease in deferred tax liabilities	(150)	-	(150)	-
Total deferred tax benefit	93	-	93	-
The prima facie tax on profit before income tax is reconciled to income tax as follows:				
Profit before income tax	5,474	28,780	5,382	-
Less profit attributed to Trusts not subject to tax	(6,278)	(28,780)	-	-
Profit/(loss) subject to income tax	(804)	-	5,382	-
Prima facie tax at 27.5%	(221)	-	1,480	-
Tax effect of amounts which are not deductible/ (assessable) in calculating taxable income:				
Share based payment expense	122	-	122	-
Gain on bargain purchase	-	-	(1,701)	-
Other non-deductible (income)/ expense	1	-	1	-
Restate income tax benefit to 26%	5	-	5	-
Income tax expense/ (benefit)	(93)	-	(93)	-

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Composition of deferred tax assets				
Provision for employee benefits	55	-	55	-
Accrued expenses	57	-	57	-
Lease incentive liability	10	-	10	-
Capital raising and transaction costs	115	-	115	-
Tax losses	86	-	86	-
Lease liabilities	95	-	95	-
Other	49	-	49	-
Deferred tax asset	467	-	467	-
Movements				
Balance acquired at business combination	225	-	225	-
<i>Movement in deferred tax asset from temporary differences</i>				
(Charged) / credited to profit and loss	242	-	242	-
(Charged) / credited to equity	-	-	-	-
Closing balance at the end of the year	467	-	467	-
Composition of deferred tax liabilities				
Right to use asset	105	-	105	-
Investment property	325	-	325	-
Other	86	-	86	-
Deferred tax liabilities	516	-	516	-
Movements				
Balance acquired at business combination	367	-	367	-
<i>Movement in deferred tax liabilities - temporary differences</i>				
(Charged) / credited to profit and loss	149	-	149	-
(Charged) / credited to equity	-	-	-	-
Closing balance at the end of the year	516	-	516	-
Net deferred tax liabilities				
Deferred tax assets	467	-	467	-
Deferred tax liabilities	516	-	516	-
Net deferred tax liabilities	49	-	49	-
Franking credits				
Franking credits available	4,208	-	4,208	-

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

NOTE 8 TRADE AND OTHER RECEIVABLES

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Fund management fees receivable	-	-	245	-
Rent and outgoings receivable	756	604	-	-
Litigation proceed receivable	375	-	-	-
Other receivables	129	-	205	-
Prepayments	697	593	117	-
Rental guarantees/incentives receivable	-	517	-	-
GST receivable	-	109	-	-
Provision for expected credit loss	-	(382)	-	-
Commercial loans to external third parties	3,334	-	1,776	-
	5,291	1,441	2,343	-
Analysis of provision for doubtful receivables				
Opening balance	382	382	-	-
Provision/ (reversal) for doubtful receivables	(382)	-	-	-
Closing balance	-	382	-	-

The loans to external parties are each secured by a first registered mortgage and a general security agreement. All other receivables are non-interest bearing. Refer to note 16 for details on credit risk exposure.

NOTE 9 INVESTMENT PROPERTIES

Year ended 30 June	2020 \$000	2019 \$000
GARDA Property Group		
Investment properties at independent valuation	116,100	322,300
Investment properties acquired at directors' valuation	1,250	-
Investment properties at directors' valuation	265,643	1,006
Investment properties under construction at directors' valuation	34,454	-
Investment properties under construction at independent valuation	-	9,500
	417,447	332,806
Movements during the year:		
Balance at 1 July	332,806	283,932
Acquisition of investment properties via business combination	1,250	-
Acquisition of tenanted investment properties	56,591	10,292
Purchase price adjustment for rental guarantee	(2,000)	-
Capital expenditure on tenanted investment properties	5,155	8,550
Acquisition and capital expenditure of properties under construction	29,643	34,851
Disposal of property	-	(14,753)
Straight-lining of rental income	1,372	1,077
Net movement in leasing fees and incentives	(374)	(137)
Movements in fair value comprised of:		
Increase in independent valuations ⁴³	4,110	17,100
Acquisition costs ⁴⁴	(4,494)	(786)
Capital additions and capitalised costs ⁴⁵	(5,614)	(6,380)
Leasing costs	596	416
Rent free income	(222)	(279)
Straight-lining of rental income	(1,372)	(1,077)
Balance at the end of the year	417,447	332,806

GARDA Holdings Limited

Land at Palmer Street, Townsville	1,250	-
Movements during the year		
Balance at the date of internalisation	1,250	-
Movements in fair value	-	-
Balance at end of the year	1,250	-

The registered titles to all GDF and GARDA Capital Trust assets are held by The Trust Company (Australia) Limited, as custodian. This is an ASIC regulatory requirement.

⁴³ Relates to gross movement in independent valuations between FY19 and FY20, plus the \$2,000,000 Acacia Ridge rental guarantee.

⁴⁴ Relates to due diligence costs and stamp duty for Acacia Ridge and Morningside properties acquired during the year.

⁴⁵ Relates to capital expenditure and other capitalised costs on properties prior to independent valuation.

Valuations

For the year ended 30 June 2020, the adopted values for five of the Group's properties are based on independent external valuations, with the balance of the portfolio subject to Directors' valuation.

Independent external valuations are undertaken by qualified and suitably experienced certified practicing external valuers using capitalisation and discounted cash flow valuation methodologies. The results of these primary valuation methodologies are checked by the direct comparison approach and analysed on a rate per square metre of total lettable area. Land is valued using the direct comparison approach using data of recent sales and analysed on a rate per square metre.

Directors' valuations are based on the most recent independent valuations, and take into account all capital expenditure incurred since the last independent valuation which is deemed by Directors to be capital accretive.

	Valuation Basis at 30 June 2020	Date of last Independent Valuation	Capitalisation Rate	Independent Valuation \$000	2020 Carrying Value \$000	2019 Carrying Value \$000
Established properties						
Acacia Ridge, 38 Peterkin St	Directors'	Dec 2019	7.50%	6,000	6,000	-
Archerfield, 839 Beaudesert Rd	Directors'	Dec 2019	7.50%	6,000	6,000	-
Box Hill, 436 Elgar Rd	Independent	Jun 2020	6.00%	33,250	33,250	31,500
Cairns, 7-19 Lake Street	Directors'	Dec 2019	8.25%	56,000	58,563	55,000
Cairns, Land at 26-30 Grafton Street	Directors'	Dec 2019	n/a	2,000	2,000	2,000
Heathwood, 67 Noosa Street	Directors'	Dec 2019	6.75%	11,250	11,250	10,500
Lytton, 142-150 Benjamin Place	Independent	Jun 2020	7.25%	8,725	8,725	9,500
Mackay, 69-79 Diesel Drive	Directors'	Dec 2019	7.50%	30,000	30,100	30,000
Morningside, 326&340 Thynne Rd	Independent	Jun 2020	5.75%	41,625	41,625	-
Pinkenba, 70-82 Main Beach Rd	Independent	Jun 2020	6.75%	20,500	20,500	20,000
Richmond, 572-576 Swan Street	Directors'	Dec 2019	5.75%	53,500	53,688	53,000
Richmond, 588 Swan Street	Directors'	Dec 2019	5.75%	59,000	59,042	62,800
Varsity Lakes, 154 Varsity Parade	Independent	Jun 2020	8.50%	12,000	12,000	12,750
Wacol, 41 Bivouac Place	Directors'	Dec 2019	5.75%	39,000	39,000	35,250
				378,850	381,743	322,300
Properties under construction						
Acacia Ridge, 56 Peterkin St	Directors'	Dec 2019	7.25%	6,700	6,808	-
Acacia Ridge, 69 Peterkin Street	Directors'	Dec 2019	7.25%	10,900	11,079	-
Berrinba, 1-9 Kellar Street	Directors'	Dec 2019	n/a	3,130	7,346	3,000
Wacol, 498 Progress Road	Directors'	Dec 2019	n/a	6,330	9,221	6,500
				27,060	34,454	9,500
Value accretive additions						
Value accretive additions	Directors'		n/a	-	-	1,006
				-	-	1,006
GHL properties						
Townsville, 30 Palmer Street	Directors'	Dec 2019	n/a	1,250	1,250	-
				1,250	1,250	-
Total investment properties				407,160	417,447	332,806

Contractual obligations

Contractual obligations to develop or construct investment properties at 30 June 2020 are as follows:

Properties	\$000
Berrinba, 1-9 Kellar Road	3,965
Wacol, 498 Progress Road	2,128
Total	6,093

Leasing arrangements

Investment properties listed above (excluding land at 26-30 Grafton Street, Cairns, land at 30 Palmer Street, Townsville and properties under construction) are typically leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are disclosed in note 22. Any impacts on tenant credit risk due to COVID-19 have been disclosed in note 16.

Amount recognised in profit or loss for investment properties

Revenue and direct expenses relating to investment properties are disclosed in note 5 and note 6.

NOTE 10 TRADE AND OTHER PAYABLES

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Trade and other payables	3,339	2,972	615	-
Loan payable to parent entity	-	-	1,433	-
Rental guarantees/incentives payable	-	517	-	-
Contract liabilities (recoverable outgoings received in advance)	605	747	-	-
	3,944	4,236	2,048	-

NOTE 11 INTANGIBLE ASSETS

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Goodwill	33,586	-	-	-

Intangible assets comprise goodwill on the acquisition of GARDA Capital Group in the internalisation transaction.

The acquisition of GARDA Capital Limited by GHL resulted in a gain on bargain purchase amount of \$6,187,000 which has been recognised as income in GHL's Statement of Profit or Loss and Other Comprehensive Income. On consolidation, GHL's gain on bargain purchase amount has been offset against the goodwill arising on the acquisition of GARDA Capital Trust by GDF, resulting in GARDA's net goodwill on acquisition of \$33,586,000.

Further details of the internalisation transaction and acquisition accounting are disclosed in note 26.

Impairment testing

Goodwill has an indefinite useful life and must be tested annually for impairment, or when there are indicators of impairment. Goodwill shall be considered to be impaired if its recoverable amount is less than the carrying amount. No impairment expense was recognised in relation to goodwill for the year ended 30 June 2020.

The recoverable amount of goodwill has been determined using the value-in-use approach and valued by discounting estimated future cash flows. Cash flow projections were based on financial budgets including the board approved budget for the year ending 30 June 2021. Cash flows beyond the projected period are extrapolated using estimated growth rates.

Key assumptions adopted in the discounted cash flow valuation are as follows:

- cash flows projections being for 5 years;
- terminal growth rate of 2.50%; and
- discount rate of 6.75% applied to cash flow projections.

These assumptions are considered by the Directors to be reasonable in the context of GARDA's future prospects, the discount rates adopted in the valuation of its Investment Properties, its weighted average cost of capital, and prevailing market and economic conditions.

The recoverable amount of goodwill would equal its carrying amount if the terminal growth rate decreased from 2.50% to 1.88%, or the discount rate increased from 6.75% to 7.28%.

A significant change in the timing of the proposed development and leasing outcomes of GARDA's properties may reduce forecast cash inflows and result in a lower recoverable amount in future years. In addition, assuming no changes to forecast cashflows, if the discount rates adopted in the valuation of Investment Properties are reduced from the current range of 6.75% - 9.00% (as set out in note 17), then there is a risk of goodwill impairment in the absence of a corresponding reduction in GARDA's overall discount rate.

NOTE 12 BORROWINGS

	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Bank Loans (secured)	-	15,417	-	-
Non-Current				
Bank Loans (secured)	188,115	113,096	-	-
Less: amortised transaction costs	(1,462)	(224)	-	-
	186,653	128,289	-	-

Syndicated Debt Facility

Amount and Tenor

On 4 March 2020, the Group achieved financial close on the restructuring of a new syndicated bank debt facility, increasing borrowing capacity by \$19,300,000 to \$200,000,000.

At 30 June 2020, GARDA had \$11,886,000 of borrowing capacity available:

Facility	Facility Limit \$000		Amount Drawn \$000		Amount Available \$000	
	2020	2019	2020	2019	2020	2019
St. George Bank	100,000	138,073	94,057	97,863	5,943	40,210
ANZ Banking Group	100,000	30,650	94,057	30,650	5,943	-
Total facilities	200,000	168,723	188,114	128,513	11,886	40,210

The tenor of the new revolving cash advance facility is three years, expiring on 3 March 2023. Loan repayments are interest only with a lump sum payment of all amounts outstanding due at maturity. There is a fixed line fee on the facilities and interest is based on the applicable BBSY rate plus margin.

At 30 June 2020, GARDA's gearing was 36.7%⁴⁶ (2019: 32.5%).

Security

The syndicated bank debt facility is secured by:

- a first registered general security deed in respect of all assets and undertakings of GARDA;
- a first registered real property mortgage in respect of each property in the GDF portfolio;
- a first registered general security deed in respect of all assets and undertakings of GHL and its secured subsidiaries;
and
- a specific security agreement over restricted cash accounts of GARDA.

Notwithstanding the terms of the facility, the registered title to all the assets of GCT and GDF, including the properties, are held by The Trust Company (Australia) Limited, as custodian, who holds title for the relevant fund. This is an ASIC regulatory requirement.

⁴⁶ Gearing ratio is calculated as group bank debt less cash divided by total assets less cash.

Covenants

Key financial covenants and other metrics under the syndicated bank debt facility include:

- interest cover ratio is to remain above 2.50 times;
- loan to value ratio (LVR) must remain under 50%; and
- adjusted gearing ratio⁴⁷ is to remain under 1.20 times.

The Group complied with these financial covenants during the financial year.

Financial undertakings

Financial undertakings under the syndicated bank facility include the following:

- the aggregate earnings before interest taxes depreciation and amortisation (EBITDA) of the obligors represents at least 90% of the aggregate EBITDA of the Group; and
- the aggregate total assets of the obligors represent at least 90% of the aggregate total assets of the Group.

NOTE 13 DERIVATIVE FINANCIAL INSTRUMENTS

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Non-Current				
Interest rate swap contracts	1,536	2,825	-	-

Interest rate Swaps

On 26 February 2020, the Group cash settled the exit from its existing \$60,000,000, 2.68%, July 2020 expiry interest swap. Concurrently, it entered into new interest rate swap agreements on 4 March 2020 totaling \$100,000,000, including \$70,000,000 for a term of 7 years at a rate of 0.81% and \$30,000,000 for a term of 10 years at a rate of 0.98%.

NOTE 14 DISTRIBUTIONS PAYABLE

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current				
Provision for distribution	3,763	3,565	-	-
Movement in provisions:				
Opening balance at beginning of year	3,565	3,115	-	-
Distributions provided for	16,430	13,810	-	-
Distributions paid	(16,232)	(13,360)	-	-
Balance at end of year	3,763	3,565	-	-

⁴⁷ Adjusted gearing ratio is calculated as adjusted total liabilities divided by adjusted total assets. Adjustments made to the total liabilities and total assets include certain non-cash items and goodwill in accordance with GARDA's syndicated facility agreement.

NOTE 15 EARNINGS PER STAPLED SECURITY

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Earnings used in calculating earnings per stapled security				
Net profit after tax attributable to security holders	5,567	28,780	5,475	-
Basic earnings per stapled security (cents)	2.90	18.90	2.41	-
Diluted earnings per stapled security (cents)	2.85	18.90	2.41	-
WANOS ⁴⁸ - basic earnings per stapled security	191,658,317	152,406,238	227,644,361	-
WANOS - diluted earnings per stapled security	195,142,591	152,406,238	227,644,361	-

NOTE 16 FINANCIAL RISK MANAGEMENT

Financial Risk Management Policies

The Directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, while minimising potential adverse effects on financial performance. Risk management policies are approved and reviewed by the Board on a regular basis.

Specific Financial Risk Exposures and Management

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk relating to interest rate risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure the different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate risk and maturity analysis for liquidity risk.

The Board has overall responsibility for the determination of the Group's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. There have been no substantive changes in the types of risks to which the Group is exposed, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period. Further details regarding these policies are set out below:

Credit Risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge its obligations, resulting in the Group incurring a financial loss.

The maximum exposure to credit risk, excluding the value of any collateral or other security, are recognised as financial assets net of provisions for impairment of those assets in the statement of financial position and notes to the financial statements. The Group also holds security deposits of \$349,000 (2019: \$300,000) and also has bank guarantees in the Group's favour of \$9,695,000 (2019: \$9,200,000) not recorded in the statement of financial position, which may be drawn upon in the event of default (subject to federal government guidelines due to COVID-19 pandemic).

Credit risk is managed through procedures designed to ensure, to the extent possible, customers and counterparties to transactions are of sound credit worthiness and includes monitoring of the financial stability of significant customers and counterparties. Such monitoring is used in assessing receivables for impairment.

Credit risk is also minimised by investing surplus funds in financial institutions that maintain a high credit rating. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through obtaining security by way of personal or commercial guarantees over assets of sufficient value.

The credit quality of cash and cash equivalents held by the Group is considered strong. Credit risk related to balances with banks is managed in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties which are large financial institutions with strong credit ratings.

⁴⁸ Weighted average number of securities.

Credit risk exposures

The Group applies the AASB 9 simplified approach to measuring expected credit losses. This approach uses a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix with fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and available forward-looking information.

To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due. Amounts are considered as 'past due' when the debt has not been settled within the terms and conditions agreed between the Group and the customer or counterparty to the transaction.

Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

Additionally, at each reporting date, the Group assesses whether financial assets carried at amortised cost are "credit-impaired". A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Due to the COVID-19 pandemic, the Group has a tenant credit risk exposure of \$330,649 as at 30 June 2020. The balance owed is within pre-agreed rental deferral terms. Management closely monitors the receivable balance on a monthly basis and is in regular contact with the tenant. At the date of report, there were no loss recognised as result of tenants not paying as per pre-agreed rental deferral terms.

All of the Group's fully secured debt investments are considered to have low credit risk. Financial assets are considered to be low credit risk when they have a low risk of default and the customer has a strong capacity to meet its contractual cash flow obligations in the near term.

Generally, receivables are written off by management when there is no reasonable expectation of recovery. Indicators include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than one year.

Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analyses in relation to its operational, investing and financing activities;
- monitoring undrawn credit facilities;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- only investing surplus cash with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The table below reflects the contractual maturity of fixed and floating rate financial liabilities. Cash flows for financial liabilities without fixed amount or timing are based on the conditions existing at 30 June 2020. The amounts disclosed represent undiscounted cash flows.

The remaining contractual maturities of the financial liabilities are set out in the following table.

	Note	GARDA Property Group		GARDA Holdings Limited	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
Less than one year					
Trade and other payables ⁴⁹	10	3,901	4,236	615	-
Loan to parent entity	10	-	-	1,433	-
Distribution payable	14	3,763	3,565	-	-
Interest on loans		4,524	3,786	-	-
		12,188	11,587	2,048	-
Between one and five years					
Bank loans	12	188,115	128,513	-	-
Interest on loans		7,557	4,289	-	-
Derivative financial instruments	13	1,536	2,825	-	-
		197,208	135,627	-	-

Market (or Interest Rate) Risk

Interest rate risk is the risk that the fair value of the cash flows of a financial instrument will fluctuate due to changes in market interest rates. The Group's main interest rate risk arises from borrowings with variable interest rates.

The Group manages interest rate risk by using interest rate swaps which have the effect of converting a portion of borrowings from variable to fixed rates.

On 26 February 2020, the Group cash settled the exit from its existing \$60,000,000, 2.68%, July 2020 expiry interest swap. Concurrently, it entered into new interest rate swap agreements on 4 March 2020 totaling \$100,000,000, including \$70,000,000 for a term of 7 years at a rate of 0.81% and \$30,000,000 for a term of 10 years at a rate of 0.98%.

Interest rate risk sensitivity

The net interest rate exposure of the Group is \$100,000,000 being the Group debt facility of \$200,000,000 less the notional principal of amount of the interest rate swap of \$100,000,000. The impact of 0.5% increase/decrease in market interest rates at balance date would be result in a \$500,000 decrease/increase in profit or loss per annum.

NOTE 17 FAIR VALUE MOVEMENT

The following assets and liabilities are recognised and measured at fair value on a recurring basis:

- Financial assets: Derivative financial instruments at fair value through profit and loss
- Non-financial assets: Investment properties

There are various methods used in estimating the fair value of a financial instrument:

Level 1: fair value is calculated using quoted prices in active markets.

Level 2: fair value is estimated using inputs that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3: fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The following table sets out GARDA's assets and liabilities that are measured and recognised at fair value in the financial statements.

⁴⁹ These amounts exclude GST payable balances at year end in accordance with AASB 132.

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
30 June 2020				
Assets				
Investment properties	-	-	417,447	417,447
	-	-	417,447	417,447
Liabilities				
Derivative financial instruments	-	1,536	-	1,536
	-	1,536	-	1,536

30 June 2019				
Assets				
Investment properties	-	-	332,806	332,806
	-	-	332,806	332,806
Liabilities				
Derivative financial instruments	-	2,825	-	2,825
	-	2,825	-	2,825

There were no transfers during the year between Level 1 and Level 2 for recurring fair value measurements.

GARDA's policy is to recognise transfers into and out of the different fair value hierarchy levels at the date the event or change in circumstances that caused the transfer occurred.

Disclosed fair values

The carrying amounts of financial assets and liabilities approximate their net fair value, unless otherwise stated. The carrying amounts of financial assets and liabilities are disclosed in the Statement of Financial Position and in the notes to the financial statements.

The following table sets out the valuation techniques used to measure fair value within Level 3, including details of the significant unobservable inputs used and the relationship between unobservable inputs and fair value.

Investment properties

Investment properties are valued using the Income approach based on estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer (or in the case of directors' valuations, directors) based on comparable transactions and industry data.

Unobservable inputs	Range of inputs		Relationship between unobservable inputs and fair value
	2020	2019	
Discount rate	6.75% - 9.00%	6.50% - 9.00%	The higher the discount rate, terminal yield and expected vacancy rate, the lower the fair value.
Capitalisation rate	5.75% - 8.50%	5.75% - 8.25%	
Terminal yield	6.00% - 8.50%	6.00% - 8.75%	
Expected vacancy rate	0 - 5%	0%	
Rental growth rate	2.26% - 3.04%	2.26% - 2.80%	The higher the rental growth, the higher the fair value. Based on Gross Face Rental growth 10 year CAGR.

The Board considers the valuations of each property half-yearly and either ensures an external independent valuer has been instructed or adopts a Directors' valuation.

For derivative financial instruments (interest rate swap), fair value was determined by St. George Bank. The valuation models used by banks are industry standard and mostly employ a Black-Scholes framework to calculate the expected future value of derivative payments which are then discounted back to present value. Interest rate inputs into the models are benchmark rates and as such input parameters into the models are deemed observable, thus these derivatives are categorised Level 2 instruments. There were no significant inter-relationships between unobservable inputs that materially affect fair values.

Reconciliation of Level 3 fair value movements

Refer to note 9 for the reconciliation of movements in investment properties. There have been no transfers to or from Level 1 or 2. There were no unrecognised gains/(losses) recognised in profit or loss for investment properties.

NOTE 18 CONTRIBUTED EQUITY

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020 Securities	2019 Securities	2020 Shares	2019 Shares
Ordinary securities/ shares	227,644,361	158,444,594	227,644,361	-
Movements during the year				
Balance at beginning of year	158,444,594	138,444,594	-	-
Acquisition consideration investment properties ⁵⁰	4,411,765	-	-	-
Placement ⁵¹	22,500,000	20,000,000	-	-
Securities issued at incorporation and on initial capitalisation	-	-	185,356,359	-
Securities issued as consideration for internalisation (note 26)	42,288,002	-	42,288,002	-
Total issued securities as per ASX	227,644,361	158,444,594	227,644,361	-
Treasury Securities (refer below)	(9,233,693)	-	(9,233,693)	-
Unvested securities on issue under GARDA ESP (refer below)	(9,360,000)	-	(9,360,000)	-
Vested securities under GARDA ESP (refer below)	(480,000)	-	(480,000)	-
Total issued securities for financial statements	208,570,668	158,444,594	208,570,668	-

Treasury Securities

The internalisation resulted in GDF owning 100% of GARDA Capital Trust which, in turn, owned 21,900,363 stapled securities in GARDA Property Group. In accordance with Australian Accounting Standards, these securities are designated as treasury securities and have been deducted from equity and excluded from total issued securities of 227,644,361.

Since the internalisation, 12,666,670 Treasury Securities have been transferred in settlement of loans or in conjunction with the GARDA ESP. The 6,666,670 securities that were issued to extinguish a loan are now included in equity and the number of issued securities for reporting purposes.

Employee security plan securities

At internalisation, included in GARDA's issued securities were 3,840,000 stapled securities issued to executive Directors and employees. These securities replaced securities in GARDA Capital Group that had previously been issued as part of GARDA Capital Group's employee security plan (ESP).

480,000 GARDA ESP securities vested concurrently with the internalisation on 13 November 2019 while 3,360,000 remain unvested. In accordance with Australian Accounting Standards, unvested ESP securities are accounted for as security-based payment expenses until such time as the securities vest.

The Executive Directors and employees who participated in the GARDA Capital Group ESP had been provided with limited recourse loans to finance the acquisition of their ESP securities. Following the internalisation and replacement of GARDA Capital Group ESP securities with GARDA securities, participating executive Directors and employees have been provided with equivalent loan terms.

Since internalisation, 6,000,000 GARDA ESP securities have been transferred to GARDA employees. These securities were transferred from Treasury Stock and have attaching limited recourse loans.

Refer to note 20 for further details.

⁵⁰ Securities issued to acquire the Acacia Ridge and Archerfield properties. Refer Directors' Report.

⁵¹ Securities issued to fund the acquisition of the Morningside property. Refer Directors' Report.

NOTE 19 RELATED PARTIES AND KEY MANAGEMENT PERSONNEL

Transactions between related parties occurred on standard commercial terms and conditions, unless otherwise stated.

KMP compensation

KMP receive compensation in the form of short-term benefits, post-employment benefits, long-term benefits, termination benefits and security-based payments.

The aggregate remuneration paid to KMP of the Group is set out below:

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
Short-term benefits	1,151,383	-	1,151,383	-
Post-employment benefits	63,834	-	63,834	-
Long-term benefits	6,276	-	6,276	-
Security based payments	406,377	-	406,377	-
Total remuneration paid	1,627,870	-	1,627,870	-

Pre internalisation

GDF and GARDA Capital Group were related parties immediately prior to the internalisation transaction. As the responsible entity and manager of GDF, GARDA Capital Limited and its controlled entities were entitled to receive the following fees pursuant to GDF's constitution:

- a management fee of 0.65% per annum of gross asset value (GAV); and
- a capital works fee amounting to 5% of the total capital costs incurred in relation to the investment properties.

Management and capital works fees paid by GDF to GARDA Capital Group up to the date of the internalisation were as follows:

	Period to 29 November 2019	30 June 2019
Responsible Entity's Fees		
Management fee	1,092,074	2,067,496
Capital works fees	90,207	1,916,109
Procurement fees	-	146,725
	1,182,281	4,130,330
Other transactions with the responsible entity		
Recovery of professional expenses	292,298	515,178
Distributions paid or payable by GDF to GARDA Capital Trust	821,263	1,899,032
Administration costs reimbursed in accordance with the Fund's Constitution	-	2,921
	1,113,561	2,417,131

In addition, GARDA Capital Limited subsidiaries, GARDA Real Estate Services Pty Ltd, GARDA Facilities Management Pty Ltd, GARDA Services Pty Ltd, and GARDA Finance Pty Ltd, provided property and facilities management services for GDF properties and other services on behalf of the Responsible Entity. The fees paid for those services and administration costs reimbursed for the period up to the internalisation were as follows:

	29 November 2019	30 June 2019
	\$000	\$000
GARDA Real Estate Services Pty Ltd	496,201	1,526,020
GARDA Facilities Management Pty Ltd	82,857	194,757
GARDA Services Pty Ltd	69,245	174,667
GARDA Finance Pty Ltd	500,000	146,725
	1,148,303	2,042,169

The following balances were payable by GDF to GARDA Capital Group as at the date of the internalisation:

	29 November 2019	30 June 2019
	\$000	\$000
GARDA Capital Limited	61,751	417,655
GARDA Real Estate Services Pty Ltd	-	326,505
GARDA Services Pty Ltd	14,784	12,757
GARDA Finance Pty Ltd	-	161,397
	76,535	918,314

Amounts receivable from or payable to related entities as detailed above are all on standard 30-day credit terms. All amounts are unsecured and are expected to be cash settled.

Post internalisation

Effective from the date of the internalisation, responsible entity, management and other fees paid by GDF to GARDA Capital Group are internal charges between wholly-owned GARDA entities and are therefore not disclosed as related party payments.

Transactions with KMP and their related parties

A \$1,970,000 loan facility advanced to the Group by a securityholder, M3SIT Pty Ltd as trustee for the M3 Solutions Investment Trust, was repaid in cash on 5 of May 2020.

A \$10,000,000 loan facility advanced to the Trust by syndicate lenders, some of whom were related parties of GCM, was repaid on 24 February 2020. The loan was repaid through the transfer of 6,666,670 Treasury Securities valued at \$9,000,000 (at \$1.35 per security) and a cash payment of \$1,000,000. The recipient of the cash payment of \$1,000,000 was M3SIT Pty Ltd as trustee for M3 Solutions Investment Trust (Mr Hallett is a director of the trustee). Interest paid during the year was \$46,219.

A related party of Mr Thornton, Non-executive Director, participated with GARDA as prior ranking lender in a number of syndicated senior loans provided to third party borrowers. These loans were provided prior to Mr Thornton becoming a Non-executive Director. The participation of Mr Thornton's related party was in its capacity as a provider of finance to third-party borrowers on arm's length terms and did not involve the receipt of any consideration from GARDA or the provision of any consideration to GARDA.

Payments of \$71,000 (GST exclusive) were made to an entity related to Mr Scammells, Director, Acquisitions and Projects, in relation to project management services provided by a relative of Mr Scammells. The relevant contract was assessed as being arm's length and on usual commercial terms and conditions.

Employee security plan

Details of the current KMP participants in the GARDA ESP are set out in the following table:

Participant	Issue date	Securities granted	Exercise Price	Fair value at grant date	Loan value 30 June 20	Vesting date
Matthew Madsen	13 Nov 2017	960,000	\$0.63	\$0.70	\$538,052	13 Nov 2020
	16 Apr 2020	5,000,000	\$1.00	\$0.06	\$5,050,132	16 Apr 2020
David Addis	3 Jun 2019	320,000	\$1.08	\$0.24	\$349,727	3 Jun 2021
	23 Aug 2019	240,000	\$1.22	\$0.11	\$291,827	23 Aug 2021
	23 Aug 2019	240,000	\$1.22	\$0.10	\$291,827	23 Aug 2022
	23 Aug 2019	240,000	\$1.22	\$0.11	\$290,914	23 Aug 2021
Mark Scammells	23 Aug 2019	400,000	\$1.22	\$0.11	\$486,378	23 Aug 2021
	23 Aug 2019	400,000	\$1.22	\$0.10	\$486,378	23 Aug 2022
Mark Hallett	16 Apr 2020	1,000,000	\$1.00	\$0.06	\$1,010,026	16 Apr 2020
Total		8,800,000			\$8,795,261	

The GARDA ESP limited recourse loan balances are not accounted for in the statement of financial position.

NOTE 20 SECURITY BASED PAYMENTS EXPENSE

The establishment of the GARDA Capital Group ESP was approved by GARDA Capital Group securityholders at the 2017 annual general meeting. This ESP was replaced with the GARDA ESP on completion of the internalisation transaction with the 2,400,000 GARDA Capital Group ESP securities being replaced with 3,840,000 GARDA ESP securities.

The GARDA ESP securities are subject to equivalent loan terms, vesting conditions, transfer restrictions and other terms that existed under the GARDA Capital Group ESP, as approved at the Annual General Meeting of the GARDA Property Group on 6 March 2020, except that 300,000 outstanding GARDA Capital Group ESP securities, which were exchanged for 480,000 GARDA ESP securities, vested at the date of the internalisation.

The GARDA ESP is designed to:

- incentivise employees to deliver long-term securityholder value;
- align the interests of employees and securityholders;
- recognise individual performance; and
- ensure the Group has a competitive remuneration structure.

Participation in the GARDA ESP is at the Board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits. The vesting of securities occurs over a two to three-year period, and subject to the participant remaining an employee of the Group.

The employees who participated in the issue of securities under the GARDA ESP were provided limited recourse loans on the grant date of an amount equal to the application price of the securities (market price per security on grant date).

Interest on the limited recourse loan for any particular year is equal to the Australian Tax Office fringe benefits tax benchmark interest rate. The limited recourse loan for the participants has a term of eight years. The securities issued under the GARDA ESP are subject to employee tenure conditions, however the overall ESP terms and conditions are at the discretion of the Board.

The total non-cash expense arising from security-based payment transactions for the period was as follows:

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
Securities issued under employee security plan	444	-	444	-

Fair value of securities granted

The fair value at grant date is determined using the Black and Scholes option pricing model, taking into account the exercise price, term of the security, security price at grant date and expected price volatility of the underlying security, expected dividend yield, risk-free interest rate for the term of the security and certain probability assumptions.

The expected price volatility is based on the historic average volatility of peer group entities or similar entities compared to GARDA Property Group, adjusted for any expected changes to future volatility due to publicly available information.

Details of securities under the limited recourse loan funded GARDA ESP including securities issues during the post-internalisation period and the Black and Scholes option pricing model input for securities granted are set out in the following table:

Grant date	Vesting date	Share price at effective grant date	Exercise price	Fair value at grant date	Number of securities	Limited recourse loan	Expected volatility	Dist'n yield	Risk free rate
13/11/2017	13/11/2020	\$1.395	\$0.63	\$0.70	960,000	\$538,053	10%	6%	2%
3/6/2019	3/6/2021	\$1.395	\$1.08	\$0.24	480,000	\$516,194	10%	6%	2%
23/8/2019	23/8/2021	\$1.395	\$1.22	\$0.11	1,520,000	\$1,845,803	10%	6%	2%
23/8/2019	23/8/2022	\$1.395	\$1.22	\$0.10	400,000	\$486,378	10%	6%	2%
16/4/2020	16/4/2023	\$0.87	\$1.00	\$0.06	6,000,000	\$6,060,159	30%	9%	1%
					9,360,000	\$9,446,587			

The weighted average exercise price of securities granted during the year was \$1.01. The weighted average remaining contractual life of options outstanding at the end of period was 2.50 years. The expected price volatility is based on the historic average volatility of GDF adjusted for any expected changes for future volatility due to publicly available information.

No securities were bought back and cancelled during the year.

NOTE 21 AUDITOR'S REMUNERATION

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$	\$	\$	\$
Remuneration of the auditor for:				
Audit and review of the financial report (Pitcher Partners)	131,500	-	54,000	-
Audit and review of the financial report (BDO)	-	57,000	-	-
Total remuneration for audit service	131,500	57,000	54,000	-
Remuneration of the auditor for:				
Independent Limited Assurance Report – internalisation transaction (Pitcher Partners)	109,560	75,000	-	-
Business advisory services (BDO)	-	99,684	-	-
Review and audit of compliance plan (BDO)	-	13,400	-	-
Review and audit of compliance plan (Pitcher Partners)	19,000	-	-	-
Total remuneration for non-audit service	128,560	188,084	-	-

NOTE 22 COMMITMENTS

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Future minimum lease payments receivable:				
Within 1 year	18,410	17,576	-	-
Between 1 and 2 years	16,556	15,780	-	-
Between 2 and 3 years	14,401	14,778	-	-
Between 3 and 4 years	12,584	12,144	-	-
Between 4 and 5 years	11,608	10,614	-	-
Later than 5 years	42,079	41,850	-	-
	115,638	112,742	-	-

NOTE 23 RIGHT-OF-USE ASSETS

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Non-current	403	-	403	-
	403	-	403	-
Reconciliation				
Opening balance	-	-	-	-
Additions	536	-	536	-
Depreciation	(133)	-	(133)	-
Carrying value	403	-	403	-

The consolidated group leases land and buildings for its office under agreement which commenced in July 2014 and continues for three years from reporting date. On renewal, the terms of the leases are renegotiated.

NOTE 24 LEASE LIABILITY

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Current	115	-	115	-
Non-current	252	-	252	-
	367	-	367	-

NOTE 25 CASH FLOW INFORMATION

Year ended 30 June 2020	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Reconciliation of cash flow from operations with profit				
Profit	5,567	28,780	5,474	-
Adjustment for items in profit or loss				
Share based payment expense	444	-	444	-
Gain on bargain purchase on acquisition	-	-	(6,187)	-
Depreciation	155	-	155	-
Capitalisation of interest and other fees	(328)	-	(264)	-
Change in fair value of investment properties	6,996	(8,994)	-	-
Change in fair value of derivative	1,425	1,951	-	-
Amortisation of borrowing costs	414	175	-	-
Gain on sale of investment properties	-	(1,550)	-	-
Capitalised interest expense	(1,699)	(1,343)	-	-
<i>Movements in assets and liabilities</i>				
Trade and other receivables	1,947	(306)	(117)	-
Contract liabilities	(142)	537	-	-
Trade and other payables	485	1,772	45	-
Provisions	17	-	17	-
Current tax liability	(544)	-	(544)	-
Deferred tax balances	(101)	-	(101)	-
Lease incentives	(644)	(428)	-	-
Cash flow from operations	13,992	20,594	(1,078)	-

Non-Cash Movements

Non-cash financing and investing activities during the year related to the following:

- On 5 July 2019, GDF settled the acquisitions of three adjacent transport orientated warehouse properties bordering the Acadia Ridge Intermodal Rail Terminal and a nearby warehouse property in Archerfield. Total consideration of \$31,000,000 plus costs was funded through \$17,300,000 of sale proceeds from the sale of a commercial building in Murarrie, existing debt facilities and a placement to the vendors of 4,400,000 fully paid units at a price of \$1.36 per unit.
- On 26 September 2019, GDF successfully completed an institutional placement of 22,500,000 new units at an issue price of \$1.40, a 4.1% discount to the distribution adjusted closing price of \$1.46 per unit on 19 September 2019. The proceeds of the placement and existing debt facilities were utilised for the \$41,000,000 (plus costs) acquisition of two industrial warehousing and distribution assets in Morningside.
- A total of 42,288,002 GARDA stapled securities were issued as consideration to acquire GARDA Capital Group (see further details in note 26); and
- GARDA Capital Trust repaying \$9,000,000 (at \$1.35 per security) of syndicate loan through conversion of 6,666,670 treasury securities valued at \$9,000,000.

There were no non-cash financing and investing activities in the prior year.

Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are liabilities for which cash flows are, or will be, classified as 'cash flows from financing activities' in the statement of cash flows. Changes in the carrying amount of such liabilities, which comprise bank borrowings, are summarised below.

Year ended 30 June	GARDA Property Group		GARDA Holdings Limited	
	2020	2019	2020	2019
	\$	\$	\$	\$
Balance at the beginning of the year	128,289	105,449	-	-
Cashflows	57,961	22,812	-	-
Non-cash changes capitalisation of interest and amortisation	403	28	-	-
Balance at the end of the year	186,653	128,289	-	-

NOTE 26 BUSINESS COMBINATION

Internalisation Transaction

On 29 November 2019, GARDA was constituted in its current form when two ASX listed entities, GARDA Diversified Property Fund (previously defined as GDF or the Fund) (ASX: GDF) and GARDA Capital Group (ASX: GCM), were combined pursuant to the internalisation transaction.

Prior to the internalisation:

1. GDF was an externally managed real estate investment trust; and
2. GARDA Capital Group was a stapled entity comprising:
 - GARDA Capital Limited (previously defined as Fund RE), the responsible entity for GDF; and
 - GARDA Capital Trust, a unit trust whose primary asset was an 11.8% equity interest in GDF.

The internalisation transaction involved two concurrent events:

1. the establishment of GARDA through the stapling of GDF units to shares in the newly created GHL on a one for one basis; and
2. the acquisition by GARDA of 100% of GCM.

GARDA is now an ASX-listed, internally managed, stapled, real estate group that trades under the ASX ticker "GDF". GARDA continues to undertake the operations that were performed by its predecessor entities prior to the internalisation.

GARDA Property Group

Consolidation Accounting

For consolidation accounting purposes, 29 November 2019 is the deemed acquisition date and GDF is the deemed acquiror.

Purchase Consideration

A total of 42,288,002 GARDA stapled securities were issued as consideration to acquire GARDA Capital Group:

- GDF issued 42,288,002 units to acquire GARDA Capital Trust;
- GHL issued 42,288,002 units to acquire GARDA Capital Limited; and then
- All outstanding GDF units and GHL shares were stapled on a one-for-one basis.

The value of the purchase consideration was \$58,991,763 based on a GDF unit price of \$1.395 and an exchange ratio of 1.6x.

Goodwill

The fair values of the identifiable net assets acquired under the internalisation, and the resulting goodwill, are set out below:

	\$000
Purchase Price	58,992
Assets	
Cash and cash equivalent	4,375
Trade and other receivables	3,137
Investment property	1,250
Plant and equipment	47
Financial assets at fair value through profit or loss	30,661
Employee security plan loan receivables	291
	<u>39,761</u>
Liabilities	
Trade and other payables	(764)
Distribution and dividend payable	(889)
Current tax liabilities	(546)
Tenant security deposits	(13)
Borrowings	(11,970)
Provisions	(31)
Deferred tax liabilities	(142)
	<u>(14,355)</u>
Total identifiable net assets at fair value acquired	25,406
Goodwill	33,586

Goodwill of \$33,586,000 represents the incremental value created in relation to GARDA's investment properties by replacing external management fees with an internalised cost structure.

In GARDA's interim financial report for the period ended 31 December 2019, fair values (excluding cash) and goodwill were reported based on provisional asset and liability values. Those provisional values have now been confirmed with no movement in the value of goodwill since 31 December 2019.

Revenue and profit contributions

From the date of internalisation to 30 June 2020, the acquired businesses contributed external revenues of \$522,227. The internalisation resulted in the retention for security holders of various fees (both profit and capital related), and also retention of trust distributions (which were not expensed pre internalisation for accounting purposes) paid to the former manager. These retained amounts, however, were offset by employment and other costs (which are expensed post internalisation), and as such disclosure of the net profit impact of the acquisition is not considered relevant nor practicable for security holders.

If the internalisation had taken place on 1 July 2019, the acquired businesses would have contributed additional external revenues of \$357,929.
The

Internalisation costs

Internalisation costs of \$1,269,000 (2019: \$700,000) are included in the Statement of Profit and Loss and Other Comprehensive Income and other Internalisation costs of \$58,000 are included in the Statement of Financial Position as a deduction against equity.

GARDA Holdings Limited

Bargain Purchase

A total of 42,288,002 GHL shares were issued as consideration to acquire GARDA Capital Limited. As a newly created company, the value of GHL's shares was nil resulting in a gain on bargain purchase:

	\$000
Purchase Price	-
Assets	
Cash and cash equivalent	4,318
Trade and other receivables	2,809
Loan receivable from GARDA Capital Trust	1,805
Investment property	1,250
Plant and equipment	47
	<u>10,229</u>
Liabilities	
Trade and other payables	(643)
Distribution and dividend payable	(697)
Current tax liabilities	(546)
Tenant security deposits	(13)
Borrowings	(1,970)
Provisions	(31)
Deferred tax liabilities	(142)
	<u>(4,042)</u>
Total identifiable net assets at fair value acquired	<u>6,187</u>
Gain on Bargain Purchase	<u>(6,187)</u>

In GARDA's interim financial report for the period ended 31 December 2019, fair values (excluding cash) and gain on bargain purchase were reported based on provisional asset and liability values. Those provisional values have now been confirmed with no movement in the value of gain on bargain purchase since 31 December 2019.

The gain on bargain purchase amount has been recognised as income in GHL's Statement of Profit or Loss and Other Comprehensive Income. On consolidation, GHL's gain on bargain purchase amount offsets the goodwill arising on the acquisition of GARDA Capital Trust by GDF, resulting in GARDA's goodwill on acquisition of \$33,586,000.

The GARDA Property Group Statement of Financial Position reflects GDF as the acquirer and deemed parent and therefore consolidates GHL and its subsidiaries.

NOTE 27 PARENT ENTITY INFORMATION

Parent Entity

The Parent Entity of the Group is GARDA Diversified Property Fund.

GARDA Diversified Property Fund	2020	2019
	\$000	\$000
ASSETS		
Current assets	20,532	21,654
Non-current assets ¹	475,189	334,680
Total assets	495,721	356,334
LIABILITIES		
Current liabilities	7,853	23,218
Non-current liabilities	188,525	116,020
Total liabilities	196,378	139,238
Net assets	299,343	217,096
EQUITY		
Contributed equity ⁵²	370,945	281,112
Reserve	444	-
Retained earnings	(71,596)	(64,016)
Total equity	299,343	217,096
Profit	9,073	28,780
Other comprehensive income	-	-
Total comprehensive income	9,073	28,780

The financial information for GDF has been prepared on the same basis as the consolidated financial statements.

⁵² Includes fair value of the securities issued as consideration for the internalisation transaction of \$58,992,000.

Controlled Entities of the Parent Entity

The below controlled entities were acquired as part of the internalisation on 29 November 2019. The parent entity did not have any controlled entities in the prior year.

GARDA Diversified Property Fund	Ownership Interest	Country of Incorporation
GARDA Capital Trust	100%	Australia
GARDA Holdings Limited	100%	Australia
GARDA SUBCO Pty Ltd	100%	Australia
GARDA Capital Limited	100%	Australia
GARDA Property Services Pty Ltd	100%	Australia
GARDA Real Estate Services Pty Ltd	100%	Australia
GARDA Facilities Management Pty Ltd	100%	Australia
GARDA Services Pty Ltd	100%	Australia
GARDA Funds Management Limited ATF GARDA Capital Trust	100%	Australia
GARDA Finance Pty Ltd	100%	Australia
GARDA TSV Pty Ltd ATF GARDA TSV Unit Trust	100%	Australia
GARDA TSV Unit Trust	100%	Australia
GARDA Property Finance Pty Ltd	100%	Australia
GARDA REIT Holdings Pty Ltd ATF GARDA REIT Holdings Unit Trust	100%	Australia
GARDA REIT Holdings Unit Trust	100%	Australia
GARDA Capital RE Limited	100%	Australia
GARDA Property Funds Limited	100%	Australia

NOTE 28 CONTINGENT ASSETS AND LIABILITIES

Contingent assets

GARDA Capital Limited as responsible entity for GDF is continuing its claim under warranties and indemnities given by various parties involved in the construction of the building Botanicca 7, at 572-576 Swan St, Richmond with respect to defects in the building. The builder is defending and has joined additional third parties as defendants. The matter is proceeding through disclosure and witness statement steps, and a trial date has been set down for 3 February 2021. As at 30 June 2020, it is not practicable to estimate the financial effect of the matter therefore no amount has been disclosed.

GARDA Capital Limited as responsible entity for GDF filed a writ in the Victorian Supreme Court against two entities which developed the Botanicca 7 building in July 2019 and served that writ on 15 July 2020. Under this new writ, GARDA Capital Limited claims from the developer any shortfall not obtained in the existing claim described above. The proceeding is dependent on and will be stayed until the primary matter is heard and it is therefore not practicable to estimate the financial effect of the matter, so no amount has been disclosed.

Contingent liabilities

The Group did not have any material liabilities as at 30 June 2020 or 30 June 2019.

NOTE 29 EVENTS SUBSEQUENT TO THE END OF THE PERIOD

The impact of the COVID-19 pandemic is ongoing and while it had a minimal impact on the Group up to 30 June 2020, it is not practicable to estimate the full potential impact, positive or negative, after the reporting date.

The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any further economic stimulus that may be provided.

USG Boral has committed to a five year lease for approximately half of the building (2,925m²) currently under construction at 1-9 Kellar Street, Berrinba. The lease will commence in November 2020 following anticipated completion of construction in September 2020.

YHI Corporation has committed to a 10 year lease for the full building (6,000 m²) currently under construction at 498 Progress Road, Wacol. The lease will commence upon completion of construction which is expected to be in the first half of 2021.

Austrans, an existing tenant at 38 Peterkin Street, Acacia Ridge, has committed to a new seven year lease for approximately half of Stage 1 of Acacia Ridge to be built at 69 Peterkin Street.

The Queensland Department of Transport and Main Road has been a tenant in Cairns Corporate Tower since 2002 and has committed to a new 10 year lease across 3,456m² representing 24% of Cairns Net Lettable Area.

Otherwise, there are no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect:

- GARDA's operations in future financial years;
- the results of those operations in future years; or
- the state of affairs of GARDA in future years.

DIRECTORS' DECLARATION

In the opinion of the Directors of GARDA Property Group:

- (a) the attached financial statements and notes are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Regulations 2001*; and
 - (ii) giving a true and fair view of GARDA Property Group's financial position as at 30 June 2020 and of its performance for the financial year ended on that date, and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;
- (c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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

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



Matthew Madsen
Executive Chairman

20 August 2020

INDEPENDENT AUDITOR'S REPORT



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Brisbane, QLD 4000

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Brisbane, QLD 4001

p. +61 7 3222 8444

Independent Auditor's Report To the Stapled Security holders of GARDA Property Group and to the Share Holders of GARDA Holdings Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of GARDA Property Group and GARDA Holdings Limited and its controlled entities ("the Group"), which comprises the consolidated statements of financial position as at 30 June 2020, the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes to the financial statements including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* "the Code" that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Brisbane Sydney Newcastle Melbourne Adelaide Perth

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NIGEL FISCHER | PETER CAMENZULI | KYLIE LAMPRECHT | BRETT HEADRICK | COLE WILKINSON | JEREMY JONES | JAMES FIELD | ROBYN COOPER | CHERYL MASON
MARK NICHOLSON | JASON EVANS | NORMAN THURECHT | WARWICK FACE | SIMON CHUN | TOM SPLATT | DANIEL COLWELL | FELICITY CRIMSTON | KIERAN WALLIS

Key audit matter	How our audit addressed the key audit matter
<p>Asset valuation – Investment property Refer to Note 9: Investment Properties</p> <p>At 30 June 2020 the Group's consolidated statement of financial position includes investment properties, which are recorded at fair value, with a carrying value of \$417.45 million. This represents 87% of total assets.</p> <p>As disclosed in Notes 9 and 17 of the financial report, fair values are determined by the directors at the end of each reporting period with reference to external independent property valuations or internal directors' valuations, with changes in fair value recognised in the consolidated statement of profit or loss and other comprehensive income.</p> <p>This was considered a key audit matter due to the number of judgements required in determining fair value. These judgements include determining the capitalisation rates, discount rates, market rents, re-leasing costs, forecast occupancy levels and forecast capital expenditure. The valuations for investment properties also include inputs such as net income, occupancy rate and lease term remaining. Minor changes in these judgements and inputs can lead to significant changes in the valuation.</p> <p>Note 9 of the financial report discloses the sensitivity of these valuations to changes in key judgements and inputs.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the relevant controls associated with management's valuation assessment, as well as assessing the oversight applied by the directors; • Assessing the competence, capabilities, and the objectivity of the independent valuers; • Evaluating the property valuations including an assessment of the appropriateness of the valuation methodology adopted, including a comparison of the capitalisation of income method and the discounted cashflow valuation method; • Evaluating the movements in capitalisation rates, discount rates, market rents, re-leasing costs, forecast occupancy levels and forecast capital expenditure applied based on our knowledge of the property portfolio and published reports of industry commentators; • Testing other key inputs to the valuations including, net income, occupancy rate and lease term remaining for consistency with existing lease contracts made to the valuation; and • Assessed the adequacy of the relevant disclosures in the financial report, including key judgements, inputs and sensitivity analysis.

Key audit matter	How our audit addressed the key audit matter
<p>Business combinations Refer to Note 26: Business Combination</p>	
<p>On 29 November 2019, the Group was constituted in its current form when two ASX listed entities, GARDA Diversified Property Fund (previously defined as GDF or the Fund) (ASX: GDF) and GARDA Capital Group (ASX: GCM), were combined pursuant to the internalisation transaction.</p> <p>The internalisation transaction involved two concurrent events:</p> <ol style="list-style-type: none"> 1. the establishment of GARDA through the stapling of GDF units to shares in the newly created GHL on a one for one basis; and 2. the acquisition by GARDA of 100% of GCM. <p>The Group acquired GARDA Capital Group for a total purchase consideration of \$58.99 million, as set out in Note 26 of the financial report.</p> <p>Accounting for this transaction is complex, requiring the Group to exercise judgement to determine the acquirer, fair value of acquired assets and liabilities and the allocation of goodwill.</p> <p>This was considered a key audit matter due to the size of the acquisition and the judgement involved in accounting for this transaction.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the relevant controls associated with identifying and accounting for business acquisitions within the financial statements; • Assessing the accounting treatment of the business combination, including the assessment of acquirer and acquiree; • Reading the sale and purchase agreements to understand the key terms and conditions; • Recalculating the purchase consideration; • Assessing the fair value of assets acquired and liabilities assumed; • Testing the accuracy of the purchase price allocation and resulting goodwill or gain on bargain purchase, against the requirements of the relevant accounting standards; • Assessing the adequacy of the relevant disclosures in the financial report.

Key audit matter	How our audit addressed the key audit matter
<p>Impairment assessment for goodwill Refer to Note 11: Intangible Assets</p> <p>At 30 June 2020 the Group's consolidated statement of financial position includes goodwill amounting to \$33.59 million.</p> <p>The directors have assessed goodwill for impairment at 30 June 2020. As disclosed within Note 26 to the financial report, the assessment of the impairment of the Group's goodwill incorporated assumptions and estimates, specifically concerning factors such as cash flow forecasts, discount rates and terminal growth rates within a discounted cash flow assessment.</p> <p>Following the directors' assessment, no impairment expense was recognised in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020.</p> <p>These estimates and assumptions incorporate future performance, market and economic conditions. Minor changes in assumptions can lead to significant changes in the recoverable amount of these assets.</p> <p>Accordingly, we consider this to be a key audit matter.</p>	<p>Our audit procedures included amongst others:</p> <ul style="list-style-type: none"> • Obtaining an understanding of the relevant controls associated with management's impairment assessment of goodwill; • Assessing management's determination of the Group's CGUs based on our understanding of the nature of the Group's business and internal reporting in order to assess how results are monitored and reported; • Considering the appropriateness and application of valuation methodology applied; • Assessing the assumptions and estimates used by the Group, by considering our knowledge of the business and corroborating data with external information where possible; • Evaluating the appropriateness of discount and terminal growth rates applied, comparing with market data and industry research; • Testing the mathematical accuracy of the impairment testing models including the consistency of relevant data with latest Board approved forecasts; • Performing sensitivity analysis on key assumptions including discount rates and terminal growth rates; and • Assessing the adequacy of the disclosure in the financial report.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 21 of the directors' report for the year ended 30 June 2020. In our opinion, the Remuneration Report of GARDA Holdings Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.


PITCHER PARTNERS


WARWICK FACE
Partner

Brisbane, Queensland
20 August 2020

CORPORATE GOVERNANCE STATEMENT

Year Ended 30 June 2020

The Board and management of GARDA Property Group consider it is crucial for the long term performance and sustainability of the Group, and to protect and enhance the interests of its securityholders and other stakeholders, that it adopts an appropriate corporate governance framework pursuant to which it will conduct its operations with integrity, accountability and in a transparent and open manner.

GARDA Property Group regularly reviews its governance arrangements as well as developments in market practice, expectations and regulation. The governance arrangements were reviewed and updated twice in the reporting period - in August 2019, and again in November 2019 upon internalisation.

The Corporate Governance Statement has been approved by the Boards of Garda Holdings Limited and GARDA Capital Limited (as responsible entity), and explain how the GARDA Property Group addresses the requirements of the Corporations Act 2001, the ASX Listing Rules and the ASX Corporate Governance Council's 'Corporate Governance Principles and Recommendations - 3rd Edition' (the 'ASX Principles and Recommendations'). It is current as at 30 June 2020.

The GARDA Property Group's ASX Appendix 4G, which is a checklist cross-referencing the ASX Principles and Recommendations to the relevant disclosures in this statement, the 2020 Annual Report of the GARDA Property Group and other relevance governance documents and materials on the GARDA Property Group's website (together the 'ASX Appendix 4G'), is provided in the corporate governance section of our website at:

<https://gardaproperty.com.au/who-we-are/corporate-governance/>

The Corporate Governance Statement together with the ASX Appendix 4G and this Annual Report, were lodged with the ASX on the same date.

The Board strives to meet the highest standards of corporate governance but recognises that it is also crucial that the governance framework of the GARDA Property Group reflects the current size, operations and industry in which GDF and its related entities operate.

GARDA Property Group has complied with the majority of recommendations of the ASX Principles and Recommendations. The Board believes the areas of non-conformance, which are explained in the Corporate Governance Statement and the ASX Appendix 4G, will not materially impact the ability of the Group to achieve the highest standards of corporate governance nor its ability to meet the expectations of its securityholders and other stakeholders.

SECURITYHOLDER INFORMATION

The securityholder information set out below was applicable as at 18 August 2020.

Distribution of Equity Securities

Range	Securities	No. of holders	%
1 to 1,000	128,684	229	0.06
1,001 to 5,000	3,348,290	1,173	1.47
10,001 to 100,000	50,009,498	1,599	21.97
100,001 and Over	169,064,818	167	74.27
5,001 to 10,000	5,093,071	679	2.24
Total	227,644,361	3,847	100.00

The number of securityholdings held in less than marketable parcels of 500 is 0.

Equity Securityholders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number Held	Percentage of issued securities (%)
HGT INVESTMENTS PTY LTD	35,893,918	15.77
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,499,263	5.93
LONGHURST MANAGEMENT SERVICES PTY LTD	11,742,833	5.16
THE TRUST COMPANY (AUSTRALIA) LIMITED	9,233,693	4.06
MADSEN NOMINEES PTY LTD	7,354,958	3.23
MADSEN NOMINEES PTY LTD	5,960,000	2.62
MR PETER ZINN	4,989,674	2.19
AUSTRALIAN EXECUTOR TRUSTEES LIMITED	4,002,838	1.76
GLENELG-PARK NOMINEES PTY LTD	3,860,415	1.70
EXTRA LARGE PTY LTD	3,052,074	1.34
MR PETER JOHN ZINN	3,000,000	1.32
ASIA UNION INVESTMENTS PTY LIMITED	3,000,000	1.32
CITICORP NOMINEES PTY LIMITED	2,668,526	1.17
JJG EQUITIES PTY LTD	2,594,378	1.14
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,122,099	0.93
PINE FACTORY SF PTY LTD	2,100,152	0.92
ARDNAW PTY LTD	2,053,525	0.90
MR RICHARD EATON-WELLS & MS FRANCES CATHERINE ECONOMIDIS	2,015,438	0.89
PERRINS RAP PTY LTD	1,889,592	0.83
NATIONAL NOMINEES LIMITED	1,867,672	0.82
	122,901,048	53.99

Substantial Holders

The names of the substantial securityholders listed in the holding register are:

Name	Number Held	Percentage of issued securities (%)
HGT INVESTMENTS PTY LTD	35,893,918	15.77
MADSEN NOMINEES PTY LTD	14,068,755	6.18
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	13,499,263	5.93
LONGHURST MANAGEMENT SERVICES PTY LTD	11,742,833	5.16
	75,204,769	33.04

Voting Rights

Each securityholder confers the right to vote at meeting of Securityholders, subject to any voting restrictions imposed on a Securityholder under the Corporations Act and the ASX Listing Rules.

On a show of hands, each Securityholder has one vote. On a poll, each Securityholder has one vote for each dollar value of securities held. The Group will follow the ASX recommendation that all significant resolutions will be conducted by poll.

CORPORATE DIRECTORY

DIRECTORS

Matthew Madsen
Executive Chairman and Managing Director

Paul Leitch
Independent Director

Morgan Parker
Independent Director

Philip Lee
Non-executive Director

Andrew Thornton
Non-executive Director

Mark Hallett
Executive Director

COMPANY SECRETARY

Lachlan Davidson
General Counsel and Company Secretary

REGISTERED OFFICE

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SHARE REGISTRY

Link Market Services
Level 12, 680 George Street
Sydney NSW 2000

Ph: +61 1300 554 474
F: +61 2 9287 0303

STOCK EXCHANGE LISTING

GARDA Property Group is listed as a stapled security on the Australian Securities Exchange Limited (ASX: GDF)



GARDA

